

The Management Review

SEPTEMBER, 1950

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Are You Storing Junk?
Personnel Looks to Its Future
A Million Morons
Improvement by Comparison
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AMERICAN MANAGEMENT ASSOCIATION



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What actions does the manpower picture indicate?

What security measures should the individual company take in a materiel-gear economy?

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AMERICAN MANAGEMENT ASSOCIATION

330 West 42nd Street New York 18, N. Y.

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The Management Review

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Let's Make Capitalism Personal

EDWARD C. SCHLEH*

"CAPITALISM? What does it mean to me?"

That's what Tom Jones asked when he was told of the advantages of the capitalistic system. He couldn't see it working in his own company.

What can we do to make capitalism, free enterprise, really mean something to every man and woman on our payroll? Recently sales programs on capitalism have been in vogue, some of them very well done. On the theory, however, that actions speak louder than words, let's see what else we might do in our companies to make capitalism real to every person working in them.

Suppose we go back a few years to find out whether capitalistic principles were any more evident then. Normally a man worked in a small shop. He knew his boss and his problems intimately. He usually worked on the whole product. He had to have a whole skill, often one that took years to learn. In many cases this skill could easily be transferred to another shop. Necessary investment per man and per business was low. Taxes were also low.

How has this changed? There is a tendency toward large shops. The boss is becoming more remote, along with the problems that worry him. To be competitive a shop requires a much larger investment per man and per shop than it did years ago. Each man usually works on a small part of the product. He needs only a small part of the total skill required to make a product. Often this skill is transferable to other companies but easily taught to any other man and so is valued little on the labor market. This last is

especially true in plants because of the increased adoption of seniority provisions, which require a man to start at the bottom if he changes firms.

What do these differences mean? First of all, they mean that a man will often not profit by investing his time in a job skill as he did years ago. With the high capital investment required in business and with high taxes, too, the possibilities he used to have for setting up his own firm are reduced. Even the corner grocery store has become a super market requiring a \$100,000 investment, and it requires a real merchandising and management skill to operate—a skill that a clerk will not have acquired.

So a man is "stuck" more than ever before with the necessity of working for one firm. The personal benefits and freedoms of a capitalistic society are becoming more and more unreal to him. In addition, if we study the operation of present-day firms we often find that many of their guiding policies even push in this direction.

With the freedoms of capitalism no longer as apparent, a man tends more and more to look for security and a welfare company or state. We need, then, a new concept of capitalism as it affects the average working man. At this point we might ask ourselves, "Which policies and procedures encourage welfare thinking and tend to make the benefits of capitalism seem unreal?" "Which of these policies or procedures could be changed to make capitalism more personal?"

One of the most evident is the practice of paying fixed wage rates. Under such a practice, how is the superior worker rewarded for superior service? Even where wage ranges are in effect, they are

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For publishers' addresses or information regarding articles or books, apply to AMA headquarters.

often not administered on the basis of the worker's contribution to the company. Frequently merit raises are made based on manner, poise, cooperation and dress, not on output and quality. To the employee this looks like a policy based on favoritism, not on contribution. Even in technical groups there has been a tendency to favor years of service in pay schedules.

For that matter, what bases *are* used in setting up wage rates in the first place? Often rates are not based on the contribution of the job to company profits, but, instead, on education, experience, skill, and other requirements. This is not consistent if capitalism is supposed to reward those who contribute to it.

We would perhaps agree that the very essence of capitalism recognizes that outstanding contribution is rewarded handsomely—that there's a pot of gold at the end of the rainbow. Let's take the engineer who devised a plan for a \$250,000 annual saving. Did he get a bonanza, or a regular \$25 raise? To meet this problem some firms have devised special bonus plans for special contribution.

Remember, the attitude of staff men and supervisors is a powerful influence on the other employees. The statement to a \$5,000-a-year engineer that "you're paid for doing this" may sell us but hardly seems to sell him. Before we start with the man on the machine let's see whether supervisors and staff aren't inclined toward socialistic thinking.

Some firms use suggestion systems to drive home the principle of reward for contribution. Here again, though, a low ceiling on rewards often cancels much of the effect. Does the employee feel he got a fair share?

There has been a tendency to pay more and more attention to relatively fixed pensions, insurance, and other security plans even among supervisors and executives. How can these men help but be more conscious of welfare benefits and thus influence their subordinates in the same way? To counteract the "you take care of me" feeling, some firms have made an effort to key in these plans in other ways which highlight contribution from the man to the firm. By doing this

they steer the employee away from a principle of socialism that all men get the same benefits regardless of contribution.

Many pension plans establish vested rights in the company's contribution after 15 to 25 years. There are many good arguments in favor of such plans. However, we want to sell the principle, that capitalism gives freedom of the individual. A man with, say, 10 years' service in a company is often deterred from a "free" choice of employment by such plans. One firm found that a second-level supervisor retained by such plans simply became a disgruntled man—a man not sold on the "freedom" he was supposed to have. What effect will his attitude have on the men under him? We may want to weigh more seriously the effect of long-term vested rights on the attitudes of employees.

On the positive side, do we have strong supervisory staff and executive incentives based on job objectives? If these men are not participating in such plans, are we applying capitalism to them? Some firms find that various kinds of special bonus plans rewarding specific contribution to company profits are effective. True, they aren't easy to administer, but these firms find that the positive results are worth the effort.

How about general profit-sharing plans? The principle is good. But shouldn't the share of the individual be graded, at least partially, by the contribution of the man himself? Several firms have found that *selective* profit-sharing, based on the work of each man in each period, is very effective. They feel it's a good way to reward the man who directs special thinking toward improvements. And by and large, despite the difficulties of administering such a plan, employees recognize the basic fairness of its capitalistic principle.

We often try to sell the fact that taxes are paid by all of us—that free government spending means free dipping into our own pockets. Some firms have noted the change in attitude toward taxes of an employee who owns his own home and pays taxes. They have set up a service to help employees secure their own homes.

They help their employees to become capitalists. Incidentally, withholding of taxes may be fine for collection purposes, but let an employee pay that tax himself and "feel" it. You might be surprised to discover how interested he becomes in another billion spent by the government. A little lobbying in this direction may be worth considering.

Some firms have almost made it a practice in filling jobs to go outside for new men instead of making promotions. Very often, too, when the men hired in this way go to work on the job their performance is not essentially superior to that of men already in the firm. It's hardly a capitalistic principle to reward the good work of one man by hiring a man over him with the statement, "We needed this experience which you weren't able to get on your job." Often a little special guidance would have brought him along and *he knows it*. Not everyone feels he should be promoted, of course. But if everyone

knows that he, too, will be considered, he is better satisfied. One firm sold itself in a whole department when it took out a machine operator and promoted him to a sales job. None of the other operators ever expected to get such a job but the demonstration that if they had the ability they could also be chosen made a difference. By contrast, where does capitalism show up when promotions are made by seniority?

Employees generally are for the capitalistic principle. They don't have to be sold on it. But they do have to be sold on its application to themselves. All company policies should be reviewed in light of their effect on the thinking of the man on the job. The question is, "Does the administration of this policy prove the value of capitalism to the man on the job?" If all policies are geared in this direction, a considerable part of the sales talk on capitalism will have taken root.

Industry Behind Bars

THERE'S A COMPANY making mop heads in Georgia, castings in Ohio, and coveralls in California that's pretty nearly a business man's dream. It pays low wages, no rent and no taxes. It has no union. Last year its \$3 million profit was about 17 cents per dollar of sales. And absenteeism is no problem at all, because the corporation's 3,500 employees live behind bars right at the factories.

The company? Federal Prison Industries, Inc. This is the federal corporation set up in 1935 to provide employment and training for inmates of U. S. penal and correctional institutions.

Six directors guide Prison Industries' affairs. Sanford Bates, commissioner of New Jersey's Department of Institutions and Agencies, represents the U. S. Attorney General. Industry's man is Dr. Marion Luther Brittain, ex-president of the Georgia School of Technology. Retailers and consumers are represented by Sam A. Lewisohn, New York City banker and mining executive. George Meany of Washington, an AFL vice president, speaks for labor, and E. Earle Rives, a Greensboro, N. C., judge, for the Secretary of Defense. The sixth member is Emil Schram, president of the New York Stock Exchange. He is the agriculture member.

Last year Prison Industries sold some \$18 million worth of prison-produced goods to the Federal Government, the company's only customer. Dividends from the operation all go to the government, but the main aim of Prison Industries is not to make money. The primary purpose is to enable the inmates "to get and retain jobs in private industry upon release from the institutions."

Products last year ranged from surveyors' stakes and mattresses to lumber, shoes, and household furniture. Because of this diversification, neither private industry nor labor is seriously upset over competition from the prisoners. Prices can't be above current market levels. And the directors have decided that the prices shouldn't be much below, either, since this might tend to depress the market.

—STEPHEN H. GALPIN in *The Wall Street Journal* 7/8/50

What the Little Hot War Means to Industry

WE ARE HEADING quickly into a war economy—whether or not we continue to wage “half-wars” or get into total war.

Most industry is running full blast now, or near it. We can't escape wartime controls as more and more military orders pile up. The broad powers that President Truman mapped out in his message to Congress are not all business men can expect. Price and wage freezes, profit ceilings, rationing, plant seizures, a manpower draft—are among the restrictions to come.

Even if Russia decides to “make peace” in Korea, the cold war is over. Short of complete world cooperation, the U. S. will never let its armed strength fall below a level needed to prevent other Koreans swiftly and effectively. The \$10 billion President Truman asked Congress for in July is only a starter. It will pay for most of the Korean fighting costs, and for the first phases of a general build-up of U. S. armed strength. Increased spending for military aid for our allies will be in addition to this.

Much of the \$10 billion will go for stepped-up operating expenses—fuel, food, transportation, pay of personnel, clothing and the like for an expanded military force. About \$6.2 billion will buy military hardware—planes, tanks, guns.

Actually, only about \$2.5 billion of that will have been paid out for deliveries by this time next year. First orders with this extra money won't even start to be let for three months—the full impact won't be felt until much later. All this is in addition to the regular procurement program for fiscal 1951.

The quickest impact on industry will come from the general speedup of deliveries under contracts already let. They won't be new orders, but the effect is the same.

There will be new orders, too, for so-called “modern weapons.” Emphasis will be first on tactical equipment, rather than

strategic. Ammunition orders will be heavy. Equipment replacements will be needed. In addition, extensive “de-moth-balling” of planes, ships, tanks, guns, and vehicles means spare-parts orders. These will get highest priorities.

In terms of plant capacity, we've never been better prepared for war. Unlike 1939, there is little slack today to be taken up by military orders. But Washington isn't worried. The National Security Resources Board and the Munitions Board think they are on top of the situation in case of all-out war.

Plans for allocating every production line in your plant for war work are complete and ready to go. What you'll produce, how much, how fast, what your profit will be, where you'll get labor, where you'll buy, where you'll sell, have all been decided. The Defense Department has been and still is negotiating allocation and production schedules with over 30,000 plants. So far, more than 5,000 schedules have been accepted by management.

As military orders pile up in coming months, there's some doubt whether the President's plan for loans to boost essential production and long-term contracts as an incentive to expansion will be enough. Some Washington officials still favor a quick write-off of new plants and equipment for tax purposes to do the job. The alternative—government-built plants, the old Defense Plant Corporation idea.

Phantom orders have been sent out for over 100,000 machine tools as well as for cutting tools and gages. Plans to allocate production for the rapid manufacture of much-needed heavy hydraulic presses are complete and updated. In fact, phantom orders are all up to date. It takes only a telegram to start production.

Furthermore, the Army, Navy and Air Force have in ready reserve about 150,000 items of production equipment, in addition to tools already in reserve plants.

The government owns 470 plants, built during World War II. Some are on lease

to private industry and could be converted to war production in 120 days. Others are being run right now by the Military Department, making ammunition and weapons or repairing ships.

Almost all those left that are in laid-up status could be in production in a few months. But for the time being, at least, there is no prospect for a wholesale change-over.

Labor supply is a real problem. Even before Korea, the supply was tight. From March to May, the number of "A" areas (unemployment less than 3 per cent) went from four to nine. At the same time, the number of "E" areas (a labor surplus of 12 per cent and over) dropped from 42 to 31.

Since February of this year unemployment has been dropping steadily—about 500,000 a month. The number of people employed in July, 1950 probably topped July 1948's all-time high of 61,615,000. Labor is tightest in small production centers. But even some of the big centers—Cincinnati, Buffalo, Detroit, Cleveland—are finding it harder to get particular skills they want.

The National Security Resources Board believes strict manpower controls are at least months off, and that a labor draft may not be needed. Many workers will have no choice but to shift, as jobs vanish in non-essential industries because of the allocation of steel and other important materials to war plants.

—*Factory Management & Maintenance*, August, 1950.

Emphasis will be on voluntary measures first. Labor leaders who prefer this method have already told NSRB Chairman Symington they'll do their best to cooperate. In return they'll expect (and get) a big say in manpower planning.

There is no manpower control mechanism now. It would take months to set up a War Manpower Commission similar to the one in World War II.

Even a 10 to 25 per cent step-up in military orders would not require harsh manpower controls. There is actually a substantial reserve of workers that does not show up in employment figures. These are the women and older men who do not normally work in industry. Then, too, we can always go to a 48-hour week.

The biggest assurance the U. S. has for winning another war is the strategic stockpile. It's little over half complete now. When it's finished, it will include \$3.8 billion of 71 critical materials—among them tin, tungsten, copper, manganese, chrome, nickel, aluminum, mica, asbestos, talc, rubber, rope, fiber, corundum, diamonds, boric acid, drugs, chemicals, oils, and refractory clays.

Forty of these materials must be imported in full. None of the rest is produced in sufficient quantity to supply the country's full wartime needs. A few cannot be had in wartime at any cost.

Generally, the stockpile is in good shape though in a few cases the government has been unable to buy all it wanted as fast as it wanted.

If the A-Bomb Falls

"AS A COMPANY EXECUTIVE, you'll have nothing to worry about if an atomic bomb drops on or within a half mile of your plant. But if you're outside that limit, advance planning against blast, burn, incendiary and radiation can save many lives."

This grim advice is from a list of protective measures which has been summar-

ized by the Conference Board for executives who are responsible for the safety of the people under their supervision. The Board's report is based on training lectures and publications of the Atomic Energy Commission; the Commission's handbook just published, *The Effects of Atomic Weapons*; and other sources.

Basic to a protective program are the facts that (1) the A-Bomb burst is seen before the explosion is heard, (2) major A-Bomb casualties result from fire, and (3) nuclear radiation from the bomb is likely to produce more hysteria than casualties.

The protective measures outlined by the Board fall into four categories:

1. Immediate measures in the event of a surprise attack.
2. Advance protection within existing facilities.
3. Advance planning in new plant construction.
4. Over-all shelter protection.

It is pointed out that if a plant suffers a direct hit, little if anything can be done. However, many lives can be saved outside the immediate blast area in the short interval between the time when the explosion is seen and when, a split second later, it is heard. Employees should be given certain precautionary instructions in advance.

1. If Out of Doors:

- ... Do not look in the direction of the explosion which will be indicated first by a sudden increase of the general illumination.
- ... If you can reach shelter behind a tree, around a corner, in a doorway, in a step or two, do so immediately. Turn away from the light and crouch.
- ... If in the open or if shelter is more than a few steps away, drop to the ground instantly. A second, not a minute, means the difference between life and death. Curl up and attempt to shade bare arms, hands, neck and face with your clothed body. This will not protect against initial nuclear radiation, but may help in reducing flash burn.
- ... Hold your curled-up position for at least ten seconds. The immediate danger is then over.

2. If in a Building or at Home:

- ... Drop to the floor immediately with your back to the windows or open doorways.
- ... Crawl underneath a desk, table, counter, etc. Such action will shield you against splintered glass due to the blast wave. It may protect you against flash burn but not against deadly radiation if within the lethal range.

... Avoid windows or doorways for at least one minute after the explosion, since the shock wave and resultant blast effects (falling debris, air shock, splintered glass, etc.) continue for some time after the explosion.

... The safest places inside a building are the interior portions. Keep as close to these as possible.

The atomic bomb is primarily an incendiary weapon. At Hiroshima and Nagasaki, fire and burns accounted for approximately 50 per cent of the total deaths. Management should prepare to take care of a great number of severe burn cases, and fire-fighting equipment should be safeguarded by being placed in underground shelters or in heavy concrete structures above ground.

As to existing structures, some of the protective measures which may be taken include:

1. An analysis of the structure, which would reveal its weak points. Steps should be taken to strengthen them. The AEC handbook, *The Effects of Atomic Weapons*, suggests that "adding bracing and shoring or new transverse reinforced-concrete walls would, in general, be more feasible than strengthening the frame."
2. Wire glass, plus half-inch mesh wire screening securely nailed to window frames, suggested as a partial measure of protection against splintered glass. Methods used for conventional bombs, such as pasting muslin over the surface of the glass, are ineffective with the A-Bomb.
3. Blast walls of reinforced concrete 12 inches thick and secured to keep from overturning will be effective in reducing damage to essential equipment such as transformers, generators, etc.

Where new buildings are contemplated some of the advance protective measures which should be considered include:

1. Locate new buildings at least three miles from vital targets.
2. Avoid extensive use, in new construction, of bricks and other loose

facings, or large amounts of glass which become dangerous missiles in the blast, and which, as debris, serve to block the streets at a critical time.

3. Vital above-ground plants with combustible contents should be housed in structures without openings.
4. The fire equipment of an industrial plant should be housed in structures capable of withstanding the blast at about half a mile from the point of explosion. Underground construction or concrete walls two feet thick would provide this protection.
5. Use fire-resistive design in all new construction.

The effects of nuclear radiation from an atomic blast have received the most publicity and have created widespread fear in the minds of American citizens. Deaths from nuclear radiation accounted for only about 15 per cent of the fatalities in the Japanese bombings. Management, the report points out, can help allay these fears in the minds of employees, thus minimizing the wholesale panic that can add significantly to confusion and loss of life.

In terms of the immediate nuclear radiation from an atomic explosion, protection may be gained in taking shelter immediately behind some structure or a pile of dirt within the second of seeing the atomic flash. "Since the lethal range (approximately 4,200 feet) is greater than the half-mile distance in which total destruction from the blast takes place, this action may save lives," the report notes. Residual radiation, "though not an immediate problem, may develop after the explosion. It occurs after the blast effect, flash burns and initial nuclear radiation have taken their toll. Residual radiation is dangerous only where personnel are exposed to its effects over a period of time or when radioactive particles have entered the body."

The report gives one fundamental principle that must be understood in regard to any attempt to reduce residual radiation: "When you rid surfaces, clothing or objects of radioactive particles, it does not destroy the radioactivity (of these radioactive particles); it only transfers it from one place to another. It is therefore important that arrangements be made prior to decontamination for the disposal of radioactive wastes. Deep burial in the ground or at sea is the safest."

Dusting Off the Industrial Welcome Mat

INDUSTRY—large and small—is dusting off its welcome mat and improving its community, customer and employee relations by extending friendly treatment to visitors. Reception rooms are getting dressier and those who come through the office front door get courtesy and comfort with capital C's. Here's a field report on how companies are making first impressions really count.

Display of products made by the company is now commonplace in the reception room:

SKF (Philadelphia, Pa.) has a visual layout on the manufacture of ball bearings as its principal wall decoration. Visitors can "push button" the various displays which depict the company's major production activities.

Dewey & Almy (Cambridge, Mass.) has a novel gimmick in its reception room. The annual report to employees is displayed via wooden cutouts. Work was done by company's advertising department.

Company house organs and employee handbooks are strewn about tables in the waiting room of Calco Chemical, Division of American Cyanamid (Bound Brook, N. J.).

Samples of products are given to visitors where the company manufactures consumer items.

Visitors to the soft drink outfit of Dr. Pepper (Dallas, Texas) can have all the pop they can consume—free.

At American Chicle (Long Island City, N. Y.) visitors are offered free chewing gum by the receptionist.

"Welcome" booklets are making big headway as a way of introducing the visitor to the company.

Scully-Jones (Chicago, Ill.) has a pile of "SJ Welcomes You" folders on the receptionist's desk, containing concise, helpful information for visitors of all types—whether job-hunters, tourists, salesmen, or persons on other business. Novel feature is a list of the names and titles of key personnel—together with a phonetic spelling of each name to help visitors avoid embarrassment through mispronunciation. A brief history of the company and pictures of its products complete the folder.

Yale and Towne (Philadelphia, Pa.) hands out a "Visitor's Card" which gives essentially the same information, but with one addition: The company tells something of its good employee relations. It lists the benefits, services and facilities which the company provides to its workers.

Conover-Mast (New York, N. Y.) puts out an attractive four-page job containing this closer: "Any ideas you may have for the betterment of our business will be gratefully received."

At SKF, service is the keyword. The welcome booklet tells callers not to be bashful about asking the receptionists for road maps, time tables, scratch pads, aspirin, first aid.

A different visitor problem arises where folks come in, not on company business but to see one of the employees. Here, most companies follow a rather strict

policy of keeping socializing to a minimum. But most important is the way management is trying to avoid employee resentment by giving logical reasons for having to limit personal visits by outsiders.

Heywood-Wakefield (Gardner, Mass.) puts it this way: "Personal visitors cannot be permitted into the plant because of possible interference with production and the possibility of injury. In emergency cases, arrangements can be made at the Information Office to admit someone not employed by the Company to the plant if the nature of his message is urgent and must be delivered to you personally. Naturally, these cases must of necessity be few and far between. Social visits cannot be permitted."

Walter Baker and Co. (Dorchester, Mass.) does it nicely with this message to its workers: "Visitors desiring to see an employee for any reason should make inquiry at the Information Desk on the first floor. The receptionist will announce the visitor and arrange the interview if possible. Personal visits should be kept at a minimum during office hours. Generally speaking, personal matters are best handled and concluded when more time and thought can be given to them away from the office."

Off the beaten track is the policy of giant American Telegraph and Telephone Company (New York City). Here's the way it reads: "Facilities for visitors are provided in Room 1338. Telephone employees from other cities, or friends and members of families of employees in the building are welcome to rest in Room 1338 or to wait for appointments."

All in all, the rule seems to be, "It's not what you do, but the way that you do it." So far as can be estimated, the little touches described do more to promote good will among both employees and outsiders than many other more elaborate and more expensive efforts.

—LAWRENCE STESSIN. *Employee Relations Bulletin* (National Foreman's Institute). 6/14/50.

THE AMERICAN PEOPLE do not believe that the schools, the government, the employers or the unions are doing an adequate job of explaining the American business system. In a recent nationwide survey made by the Psychological Corporation, in which 2,500 personal interviews were conducted in 129 cities and towns, only half of all the people interviewed thought that any of these groups were doing a good job.

Are You Storing Junk?

THE SALVATION ARMY is wasting time soliciting old newspapers from door to door. Biggest hoards of waste paper in the world are sitting undisturbed in the files of most business organizations. Worthless records—millions of cubic feet of them—repose there comfortably, enjoying attentions that add up to millions of dollars in maintenance each year. Worse than that, they botch up filing systems so badly that useful documents are hopelessly buried.

A good measure of the annual cost is the Hoover Commission's conclusion that each filing cabinet costs \$27 a year in the Government and \$40 in industry just to have around—when you count space and equipment.

At Westinghouse Electric drastic steps had to be taken before the situation became too serious. Some 120 carloads of obsolete and useless papers were heaved out and another 300 carloads transferred to records centers and archives before the light of day was seen. Now Westinghouse has as slick a records-handling set-up as can be found anywhere. Files 10 years old hit the desk of the Records Custodian minutes after they're requested.

Records and records-keeping can't be dismissed as a nuisance. How else can the experiences of previous operations be retained, legal rights protected, sales potentials evaluated, costs determined?

Since the war the volume of records has ballooned to gigantic proportions. Government regulations, plant expansions, increased employment and social benefits for employees have all contributed. To aggravate the problem there are now amazing office machines that duplicate forms with utmost facility, and irresponsible hands often have them printing a thousand copies of a form "just in case" when a hundred would suffice.

The bureaucracy in some companies

has consequently become almost comical. More than one organization has found itself in the ignominious position of having to start a file cabinet for the sole purpose of locating other file cabinets. The only solution short of a bonfire is organization of a program of records management.

The Hoover Commission estimates that more than 50 per cent of the total records of the average organization can be eliminated from office and plant equipment and space, basing this claim on its findings in Washington—most notorious records-collector of them all—and checking it against industry.

The prescription for a records-management program isn't complicated. Fundamentals are these:

1. Give responsibility to qualified persons for company-wide control of records.
2. Set up a system of control for making records, handling, period of retention, and destruction.
3. Establish a central records bureau or storehouse for holding those papers which must be retained but are not used enough to warrant storage in office space.

Handling of records is an inexact science. There are no set rules to observe. Most difficult problem is deciding what to keep and how long to keep it. The Hoover group states that for an average organization, less than 10 per cent must be kept permanently. About 20 per cent must be kept in office space. Another 30 per cent may go to records centers for more economical storage. The rest, about 35 per cent, may be destroyed.

Getting rid of the dead wood is painful. Accumulations of years of musty papers are depressing enough sights—the thought of having to inventory them is devastating. But that's what has to be done.

Most companies have found that a team

of representatives from management, legal and auditing divisions can work with a trained records specialist to best advantage. The job is to corral all company department heads one by one, decide whether their records have legitimate reasons for existing. If they don't, they get the boot. If they do, the next determination is how long they should exist. This is tough. Purchase orders may be useful to one company for ten years; only two years for another.

Next project is figuring out what to do with the records that have been given retention periods. Division of this group into three categories—active, semi-active, inactive—clarifies the problem.

The active group should consist of material that is frequently used. It belongs in the four-drawer steel cabinets that stay close to home. Semi-active records, those that are referred to only occasionally but must be kept (usually up to two

years), should be boxed and sent to a central records storage bureau within the plant. Inactive records, rarely called for but kept to satisfy legal or other requirements, also go to the central records bureau in boxes, or to company archives.

Some type of flow schedule is needed, which Westinghouse claims is 90 per cent of their system. Such a schedule is made out for every form, includes retention periods in each area and method of destruction to be followed. Tickler files maintained by department file clerks and by records-bureau personnel follow the schedule and tell when to transfer a batch of records from one area to another.

Those are the mechanics of the program. Physical requirements are much less complicated. All that's needed is space to set up a records center—and since space is being saved, there should be plenty of it.

—*Modern Industry*, July 15, 1950, p. 57:5.

Simple Safety Rules for the Office

EVER BUMP your knee against an open file drawer? Or teeter back too far in a swivel chair? Chances are you've had an experience like that at one time or another. That's the run-of-the-mill office accident. Usually not too serious—more an annoyance than a disaster. But management men who have checked on office accidents report that cumulatively these little slips add up to a lot of time lost—not only by the accidentee, but also by sympathizers, by would-be first-aid givers, by on-lookers, and by investigators. Net result is that more attention than ever is being given to safety education for office workers.

The average white-collar employee just doesn't think in terms of accidents on the job. He doesn't realize when he leaves a desk drawer open, or flicks a match into the wastepaper basket, or stands on a chair to get a book from the top shelf that he is creating accident-inducing conditions.

Safety education in the office must start

with the fundamentals. Many companies are concentrating on getting across these basic facts. One company devotes three pages in its handbook to safety rules for the office. You may want to adopt a similar approach, either in the handbook, the house organ or through special posters and pamphlets. Here are some of the points you should cover:

Knives, scissors and razor blades: Best not to keep knives or razor blades in desk. But if they're necessary, keep them in a special container.

Pens and pencils—pins: Don't carry sharp-pointed pencils or uncapped fountain pens and the like in belts or upright in pockets. When you use a pin, cover the point. Use paper clips where possible to hold papers together.

Paper: Handle paper carefully—paper cuts can be very painful.

File cabinets and desks: Always close desk and file drawers immediately after using them. Never step away from a desk or file leaving a drawer open. Don't risk tipping over a file cabinet by opening more than one drawer at a time.

Chairs: Keep all four legs of a chair on

the floor at all times while sitting on it. Never use a chair as a ladder. If high shelves must be reached, get a step stool or regular ladder. Never sit on the edge of a chair.

Doors, windows, etc.: Use handles when closing windows, doors, file and desk drawers. Supervisors may find it wise to assign only one person to handle windows. Type-writer drawers of desks can be tricky—employees should be instructed in their proper use. Watch out for catching your fingers—in machines especially.

Matches: Never throw matches or cigarettes in wastepaper baskets. You can be badly burned. If smoking is permitted, keep ashtrays on desks and use them. Place wastepaper and other trash in proper containers.

Floors: Watch out for slippery floors and objects on the floor which shouldn't be there.

Horseplay: Strict disciplines should be the rule for employees who engage in horseplay, such as throwing paper clips, sticking a foot out in the aisle and the like. Serious injuries have resulted from seemingly innocent pranks.

—*Employee Relations Bulletin* (National Foreman's Institute), Report No. 234. May 24, 1950, p. 11:3.

Care on the part of the employee alone is not sufficient. Management should be sure to correct any unsafe conditions and employees should be instructed to report any noticeable trouble spots immediately. Watch out for conditions like the following: Defective electric extension cords or extension cords lying across aisles or where a tripping hazard would be created; broken or cracked glass desk tops—any broken glass; poorly lighted corners in places like stockrooms where there are tripping hazards and there is danger from falling objects; loose electric fan blades, defective fan guards, protruding pencil sharpeners and shelves; water, oil or waste on floors; and materials precariously stacked on top of shelves, files, cabinets, lockers or corners.

Don't neglect the dramatic in your safety program. Use visual aids. Pictorial presentation will arrest attention, arouse curiosity, and create interest in the printed word.

RECENTLY, Paul B. Mulligan & Company surveyed several hundred corporations to determine current practices in the evaluation of clerical performances. It is interesting to observe that only 6 per cent of these organizations are using any scientific means of measuring their office production, and that the vast majority depend upon appraisals by supervisors and comparison with similar workers.

—PAUL B. MULLIGAN in an address before the 31st Annual International Cost Conference of the National Association of Cost Accountants

AMA OFFICE MANAGEMENT CONFERENCE

A conference of office executives will be held by the American Management Association on Monday and Tuesday, October 30-31, at the Hotel Statler, New York City.

The Filing Problem: A Frontal Attack

A CHICAGO department store, realizing that routine correspondence (not the correspondence of buyers which may have value in establishing contracts, prices, etc.) was requiring considerable time and space for filing, decided to discard all correspondence of a purely routine, courtesy nature. There would be no record of complaints, thank-you letters and general information letters, once they had been answered and properly handled.

The few times the store was inconvenienced by having no record of previous correspondence, and had to request the information from the correspondent who had referred to previous letters, were small compared to the savings in man-hours of filing and storing the correspondence. Letters are answered as always, but no copies are kept and the original inquiry is also destroyed.

It takes a stout heart and a firm will to throw away letters which in the past were treated like priceless gems and commingled in the files with the letters and reports which did have lasting value. The policies of the company, which in fact reflected management's thinking, had to be changed. And the thinking had to be changed.

A good compromise is the use of the so-called 30-day filing drawer. About 75 per cent of the correspondence of the average firm ceases to have any lasting value after 30 days. Therefore it is reasonable to ask, "Why save 100 per cent when only 25 per cent is worth saving?" A 30-day file is the answer. Two sets of alphabetical file folders are used for each file. During the first 30 days, all routine correspondence is filed in one of the A-to-Z folder sets. During the second 30 days, the correspondence having no lasting value or importance is filed in the second A-to-Z folder set. At the end of 60 days the contents of the second A-to-Z folders are destroyed, and new material is filed in these folders during the next 30 days.

Many offices have year-end jitters due to the necessity of going through all the files to destroy unimportant material. Usually this task is assigned to a secretary or file clerk who must make decisions as to what is or is not important. There is no better time, actually, to designate a letter's importance than at the time it is dictated. There is no one more qualified to decide its importance than the dictator. This is simplification applied to filing. Its success will depend upon management's viewpoint toward the preservation of material.

—HARRY L. WYLIE. *The Office*, May, 1950, p. 47:6.

"Had trouble with this cylinder . . ."

STENOGRAPHIC DEPARTMENTS of Employers Mutuals of Wausau, Wisconsin, are using a new form on which difficulties encountered in transcribing cylinders can be reported to dictators with a minimum of time and effort. It is a check list of 20 ways that the cylinder may be defective and/or information given the transcriber may be inadequate.

The items include such notations as "Dictated before cylinder was in motion," "Failed to distinguish between numbers or letters of like sound," "Failed to indicate extra copies on indicator slip—requested copies at end (or in middle) of memo (or letter)," and "Failed to enclose correspondence."

Stenographers make out the reports in duplicate, giving one copy to the supervisor, who can contact the dictator personally if the records indicate failure to improve.

"It has always been a problem for the stenographer to tell one of her dictators by note of some of the reasons she is having difficulty with his cylinders," the announcement of the new form said. "With a printed form, the dictator will have no reason to resent receiving it because he knows that it is stenographic procedure."

A Boston employee of the company received a \$50 award in the company's suggestion program for the idea. Copies of the form may be obtained by writing Mrs. Lorraine Blieding, stenographic supervisor, Employers Mutuals, Wausau, Wisconsin.

—*Office Management*, July, 1950

Personnel Looks to Its Future

E. H. VAN DELDEN, Professor of Industrial Relations
New York University

ANY ATTEMPT to analyze the status of the personnel profession cannot overlook the relationship of cause and effect. Such an approach is useful not only to understand the present in terms of the past but also to forecast the future. This is not to accept blindly the viewpoint that whatever situation we may find ourselves in is necessarily of our own making, whether good or bad. Voltaire, in *Candide*, for example, has the philosopher Dr. Pangloss prove the existence of design in the universe by developing a casual relationship between noses and spectacles.

The term *personnel profession* is used in its broader sense to include functions sometimes designated by titles such as "industrial relations," "employee relations," "labor relations," and even—believe it or not—"human relations." The objective of all these functions has been the development and maintenance of good feeling between employer and employees. That such good relations are essential for efficient production has been generally accepted as a management truism. On this basis, most of us in the personnel profession have assumed that a well-organized personnel department contributed to the productive process.

Nevertheless, it is impossible to avoid evidence and rumors on all sides that personnel budgets and staffs are being reduced at a time when production and productive requirements are high. The situation is further complicated by the existence of employee unsettlement and unrest. The only conclusion is that there must be something fundamentally wrong. If there is any value in the credo by which we work, there should be increasing emphasis given the personnel function

under such circumstances. There is an apparent inconsistency in all this and it becomes important to determine whether present conditions constitute a temporary setback in an over-all upward trend or the beginning of a downward movement that may eventually affect us all.

The problem arises, I believe, because personnel men as a group have been prone to think of personnel in terms of techniques rather than as a movement toward a basic management philosophy. Viewed in this light the inconsistency disappears. The personnel idea is as vigorous as ever and is gaining constantly increasing acceptance. But there is some evidence of a trend toward the rejection of personnel specialists and the few and largely outmoded techniques that we as a profession have been able to develop. Responsibility for performing the whole personnel function is being allocated to the line organization. Future employee relations are apparently to be determined largely by the hour-to-hour contacts of the worker and his boss.

There is one thing certain regarding all human institutions and that is the inevitability of change. We had best examine the background of how we arrived at where we are and then attempt to appraise the possibilities for the future.

Without attempting to delve into precise origins, it is safe to say that the doctrine of personnel management evolved largely out of the production and military necessities of World War I. When our armies arrived in Europe they discovered that the French army was organized to handle two sections of supply—materiel and personnel. It is believed by some that the movement there-

From an address before the Ohio Personnel Institute of Ohio State University.

by acquired both its name and its underlying philosophy. The practical-minded French fully recognized the importance of morale in getting things accomplished. It became a standing joke that when transportation was scarce a truck was as likely to contain a load of Croix de Guerre as ammunition. Even when the food ration was meager, there was always wine to add zest to the meal.

World War I stimulated both the development of the personnel idea and the techniques with which to implement it. The book, *History of the Personnel System*, developed by the Committee on Classification of Personnel in the U. S. Army and published in 1919, contains many of the basic ideas and techniques used today. Despite this technical progress, the personnel idea was slow to gain acceptance in the twenties but finally spread almost entirely on the basis of pragmatic arguments. Safety work paid dividends through lowered workmen's compensation charges; proper selection and training reduced turnover and replacement costs; paternalism developed loyalty and high production.

When the depression came, personnel management suffered the inevitable setback. Since then, however, there has been a rapid growth of the field owing to the problems arising from legislation, unions, and war. And now, apparently, there is a decline.

The immediate cause for current personnel unemployment and lowered budgets can undoubtedly be laid in large part at the door of union wage drives. These increases, gained in quick succession, have upped production costs and break-even points until employers have been forced to resort to cost reduction in order to maintain profits. But why have personnel departments been among the first to feel the economy axe? What about the truism of good employer-employee relations being necessary for top production efficiency? If personnel departments contribute to lower costs by increasing the individual effectiveness of workers, one would expect the budget for such activities to be maintained or enlarged rather than lowered.

Strangely enough, in my opinion, the fault lies in ourselves. If anything, we in personnel have been *too* dollar conscious. It is difficult, and in some cases almost impossible, to determine the cost savings resulting from the use of personnel techniques or definitely to ascribe increased costs to their absence. In addition, it is an opinion too widely held in some management circles that most of the functions performed by the personnel specialist could well be returned to the line organization with a resulting increase in general morale. Add these two factors together and it is not hard to understand why those personnel departments whose services are evaluated solely on a money-savings basis have difficulty surviving a cost-reduction campaign. On the other hand, personnel techniques which have been installed on the basis of being the right thing to do are built upon a solid rock of acceptance.

Thoreau once said of man that in youth he gets together the materials for a bridge to the moon and in middle age he makes a woodshed out of them. Couldn't this with equal truth be said of personnel management? The idealism inherent in the concept that human personality is sacred and important has been largely forgotten in attempts to prove personnel techniques of value to cost-minded managers.

The services of an employment specialist may have been "sold" on the basis of better selection of employees and lessened turnover. But what has this actually meant in practice? Far too often it has resulted in a concentration upon the hiring of young, physically perfect specimens of a particular race, color, or religion. The accent has been placed on youth and physical perfection to keep insurance and pension costs low; the one-race, one-color, or one-religion rule has been observed to avoid any possible friction that might develop to disturb operating routine. This sort of employment practice is really a prostitution of personnel philosophy.

Instead of using selection techniques to fit handicapped or older people into jobs they can do, instead of helping

minority groups to become integrated into American economic life, the employment office has frequently become a means of discrimination and oppression to large groups of the population.

The community itself finally rebelled and passed Fair Employment Practice laws in 20 states, with a federal bill now pending in Congress. That this should have become necessary is an indictment of our personnel ideals. I predict, moreover, that if business continues to shirk its employment responsibilities and fails to recognize that the "right to work" means more than a ban upon the closed shop, stronger measures will become inevitable. None of us might like what could eventually happen if this situation is not corrected.

The irony of it all is that no sooner does labor turnover become sufficiently low than the employer cuts down the employment staff which has been trying so hard to please him. Obviously, basing the installation of a service on ability to cut costs means that the service is no longer needed when those costs have been reduced or eliminated. Periods of little hiring, however, may be the very time when an employment office is most needed to represent the employer to the community by the courteous reception of job applicants.

Most personnel managers talk glibly of the lowered workmen's compensation payments resulting from safety efforts. Instead of utilizing personnel techniques to make the plant a desirable and satisfactory place in which to work, or to instill in employees the desire to work safely, the emphasis is usually upon mechanical guards, training and discipline. When work slackens off and fewer men are working, those who are left worry about their jobs. This is the time when accidents are most likely to occur. It is also the time when safety efforts are most likely to be reduced because of the smaller workforce and the question of costs.

In the same way, training that is based on savings through a proper orientation of new workers is invariably reduced when labor turnover is low. Actually, training should be a continuing responsi-

bility, but it is difficult to prove the value of such continuity of effort. Labor relations staffs developed solely to avoid or to fight unions are likely to be cut when restrictive legislation is passed. At such a time, emphasis shifts to the lawyers and, I suppose, if the legislation should be repealed, they in turn would go. I might also add that the personnel profession did not make noteworthy efforts for increased Social Security benefits until *after* the unions had launched their pension drive and employers had recognized in the legislation the possibility of lowered benefit costs.

To my mind, personnel people have been busy inventing rubber gloves for use with leaky fountain pens. They have been energetically developing methods of paddling a canoe without knowing anything about the river itself and why and how it flows. We all know of situations where every personnel technique—no matter how costly or even how silly—was used in a plant, but employer-employee relations constantly deteriorated.

Some personnel techniques in existence today not only fail to contribute to human relations but have been developed and utilized primarily as a profitable substitute for human relations. Personnel people have been depending upon techniques to accomplish results without reference to a basic philosophy to determine whether those results are socially desirable or undesirable.

When I first studied personnel administration in the early twenties under John Coss at Columbia, the course was known as Business Ethics and was given in the Philosophy Department. We examined the employee policies in effect at the Rowntree Cocoa Works in England, and the results achieved. The basis of adoption of these policies was that in a moral world the operation of a business with consideration for the welfare of employees and the public was simply the right thing to do. The fact that such decency paid off was purely incidental to the desire on the part of the employer to do the proper thing. That was a novel thought then and it is a novel thought now.

We must determine in our own minds whether the personnel profession is to be a necessity or merely a convenience. Do we have something vitally worthwhile to offer that business needs and must have or is it merely a service that can be added or dropped at will?

Nonetheless, I believe that the personnel profession faces a future of assured recognition. As social technicians capable of advising top management on the proper conduct of a business in a social economy, they can make themselves indispensable. The treasurer of a company is not retained in office because he can reduce the expense of handling money, but rather for his financial wisdom. A comptroller is not judged by the cost of keeping accounts under his direction so much as by the accuracy of the information he is able to provide. An attorney isn't valued because of the cheapness with which he handles legal questions, but on the quality of the counsel he provides. A designing engineer is not considered good because his blueprints are inexpensive but because his designs meet human needs. In the same way the personnel specialist must be appreciated for the quality of his advice—by his acute "awareness" of the social scene.

In an economy partly government-operated, partly government-controlled, and partly free enterprise, business men need assistance of the sort the personnel specialist can provide. An article in the April 25, 1950, issue of the AMA's *MANAGEMENT NEWS* touched upon this development. Entitled "Personnel Work in the 1950's," it begins:

The status of personnel departments in the 1950's will depend upon their contributions toward the accomplishment of company objectives. Increasingly they are likely to be judged by two standards: "effectiveness" in the sense of aiding in the optimum utilization of the corporation's resources; and "efficiency" in the sense of meeting the requirements of the community.

Personnel men must have sound prin-

ciples as well as sound ideas if they are to measure up to staff assignments. If we are to qualify as a profession we must cling to our ideals and fight for recognition of our basic philosophy. If we are convinced of the sacredness of human personality, it becomes our duty to try to convince others. The personnel idea is as old as Christianity and as powerful as Communism. If we provide the individual with that recognition which is his due, we will find fewer Americans becoming disloyal in favor of foreign ideas.

Our present techniques are wearing out rapidly in terms of the ability to satisfy human needs. Many are already obsolete. There has been more progress in the field of executive development in the past four years, for example, than in the past forty. Organization problems lie ahead, and the new task of achieving social efficiency. We need to know more about the impact of the job upon the worker. What does sitting and soldering tiny wires all day do to a girl in her home relations? What is the significance of routine in industry? What are the psychological factors involved in responsibility? What makes a supervisor act the way he does?

The quality that marks us as personnel specialists is the ability to think personnel thoughts. Since the personnel idea is widely accepted, it follows that we must also receive recognition. We need constant experimentation, development, research. We must recognize where problems exist and break new paths, open up new channels toward their solution. Others may adopt our program but they can only copy where we have already pioneered. Let us be like the sea captain of the good ship "Mary Gloster" in Kipling's poem of the same name. He weathered the cut-throat competition of the clipper era and boasted on his deathbed,

*They copied all they could follow,
But they couldn't copy my mind,
And I left 'em sweating and stealing
A year and a half behind.*

ODD FACT: Did you know that 90 per cent of the women who ask for maternity leave never come back to their jobs?

—*Mill & Factory*, August, 1950

The Personnel Department and the Line Organization

**EUGENE J. LYONS, Vice President for Personnel
Merck & Company, Inc., Rahway, N. J.**

IS THERE any question today of the need for a personnel department in the average business or industrial organization?

To begin with the fundamentals, we know that good employee relations are necessary for efficient production. Most men in the top management of organizations are beginning to realize this, too. And we have assumed that personnel departments are a major force in creating and maintaining good employee relations. Unfortunately, however, a great many line operating executives, some of them in top jobs in industry, are not at all certain that personnel departments have improved employee relations.

Not too many years ago the average personnel manager was little more than a glorified employment manager and record-keeper who occasionally sought to aid individual workers in their troubles with the boss and to suggest employee health, safety and recreation programs to the management. Three major developments have changed all that. They are: (1) The creation of a great mass of federal and state laws affecting the relationship between employers and employees. (2) The rapid growth, with the aid of this legislation, of strong unions. (3) The rapid expansion of the individual company, with its attendant increase in the complexity of the line supervisor's job—the foremen, the general foreman, the department head, the plant superintendent and the plant manager.

The personnel department was expanded as the easiest way to meet the needs created by these developments, being given the hiring and placement functions in the organization. Psychological testing and elaborate induction, orientation and training programs entered the picture, as job evaluation and wage and salary administration also landed in the lap of Personnel.

From an address before the California Personnel Management Association and the Personnel Section of the Western Management Association.

What happened to the first-line production supervisor while all this was going on? In the first place, he lost a lot of prestige when the function of doing the actual hiring, as distinguished from recruiting and screening, was centralized. In the larger companies, management also delegated the important task of orienting the new employee—of explaining to him the company's benefits, its rules and its objectives—to the personnel department. About the same time, the worker started to get news about his wages and conditions of employment not from the natural source, his boss, but from a union contract or from his union steward. Day-to-day interpretations of that contract came from the union steward or the industrial relations man. Even his further training as often as not was offered by an arm of the personnel department, and he received direct messages from the president of the company as fast, occasionally faster than did his immediate supervisor.

But the old and fundamental truth that good or bad employee relations depend on the hour-to-hour contacts of the worker and his boss and not on a mythical expert, even in the form of a vice president for personnel, has since become clear. The expert can't substitute himself for the first-line supervisor in every corner of the plant, laboratory or office.

Despite this vital qualification, there has never been a time when the personnel function was of more importance than it is today. My questions therefore concern the manner in which personnel departments discharge or are allowed to discharge their functions, for those functions require endless research which the production and sales management have neither the time nor specialized training to perform.

Obviously, when confronted with professional union negotiators and complex

labor laws, the line executive needs expert advice and help—and I don't mean from the legal viewpoint, because I believe the legalistic approach to collective bargaining actually imperils employee relations. The management organization also requires technical assistance on safety matters; aid in utilizing the new selection and placement techniques; help in modern training methods; advice on personnel policies and executive development; and continuous assistance on the myriad of other complex problems which industry faces today in dealing with its employees and the government. It is thus clear that we cannot centralize the employee relations function in a corner office, however expert the occupant of the office may be.

Then how should the personnel department function to avoid the pitfalls I have mentioned and still furnish these essential services? Successful personnel departments work through, not around, the line management, because personnel functions are service functions and in themselves cannot build or sell a single automobile, manufacture a single chemical or a dime's worth of any product.

To be more specific, the success of the safety engineer is measured not by teaching the rank and file but by how well he trains and persuades the line supervisors that safety is their job. There just aren't enough safety engineers to do the job any other way, and even if there were, industry could not afford them. Similarly, the success of the labor relations expert rests on his ability to impress on line management personnel that employee relations are their daily responsibility, that they are *paid* for handling people properly as well as materials and machines, and that the production executive must have a hand in the negotiation of union contracts if his supervisors are to be successful in administering them. The expert can't do the job himself—he must accomplish it through the line supervisor.

The training director must do a major share of the training and orientation through first-line supervision—his company can't afford enough training experts to reach every employee often enough to be effective. So the wise employment and placement manager, with his new aptitude testing tools and his interviewing techniques, knows that in the long run his success will rest on his ability to persuade line management to hire or promote the right men and women—not on his prerogative to force his selections on the production supervisor.

So, too, the wage and salary administrator makes a sad mistake if he personally attempts to pick out the employees who deserve a raise. His success is determined by his ability to train the direct supervisor in production, engineering, sales or research to review the work of employees under his jurisdiction periodically and to select those whose performance has improved and reward them accordingly. Only by performing a coordinating and service function rather than a line executive function can he hope to maintain the kind of wage and salary program that makes for good employee relations.

This concept of the proper functioning of the personnel department *through the line organization* requires that the personnel man let the line supervisor have the credit in the eyes of the rank-and-file employee. Above all, he must not yield to the temptation to make himself a swell guy in the eyes of the union steward or the rank-and-file worker at the expense of the line supervisor.

This concept enables the personnel organization to remain a comparatively small, closely knit group of highly competent specialists whose watchword is service and whose goal is more efficient production and sales through creation of high employee morale. No enlightened management will quarrel with the cost of that kind of contribution to the business.

SAFETY SLANT: Mid-States Steel and Wire rewards safe workers. Every employee who goes an entire year without an accident gets a cash award from the company.

—*Mill & Factory*, August, 1950

Union Membership in the United States

MEMBERSHIP of unions in the United States is estimated at between 13.3 million and 15.3 million. The 16 largest unions account for 8,193,859 members, or more than half the total of union strength. Of the 16, six reported losses since 1948 and seven reported gains.

Union membership falls into four large groups: AFL, 7.2 to 8 million; CIO, 4 to 6 million; independents, 2 million; and the railway brotherhoods or "Big Four", 0.4 million.

The official AFL membership as of August 31, 1949, is 7,241,290. This is based on the actual per capita tax received and underestimates the actual membership because there is a tendency on the part of many AFL unions not to pay the per capita tax on their full membership. Per capita payments seem to understate AFL total membership by at least one million members.

The per capita CIO membership is 3,934,239 members, which also fails to give a true picture, as only a few CIO unions paid per capita tax on their full membership and at least one large union soon to be expelled did not pay its per capita tax at all.

On the other hand, since the per capita tally, six unions have been expelled: The Electrical Workers (UERMWA); the Farm Equipment Workers Union; the Office Workers (UOPWA); the Agricultural Workers (FTA); the Mine, Mill & Smelter Workers; and the Public Workers (UPWA); with the Fur Workers voting May 25th to withdraw and the Longshoremen (ILWU) and Marine Cooks & Stewards still to be driven out or brought into line.

No accurate membership figure for independent unions is available. In fact, no accurate figure on the number of independent unions in existence is available. But conservative estimates place total independent membership at 2 million. The big blocks of independent membership lie in the United Mine Workers of America with 650,000 and the International Association of Machinists with 550,000. A number of other unaffiliated unions account for a sizable segment, and there are a large but indeterminate number of independent unions that cover workers in only one plant or company.

On September 1, 1948, the railway brotherhoods had a membership of 440,000 compared with 412,767 for the spring of 1950.

Overshadowing all membership figures computed from dues payments, however, is the fact that a man does not have to hold a paid-up union card to consider himself a union member. Because of the tendency of many union men to let their dues slip for months and even years, some unions permit them to pay a small reinstatement fee and the current month's dues in order to regain good standing. Per capita estimates do not fully reflect this large group of "in and out" union members.

—JAMES J. BAMBRICK, JR. in *The Conference Board Management Record* 6/50

AMA FALL PERSONNEL CONFERENCE

The Fall Personnel Conference of the American Management Association will be held on Monday, Tuesday, and Wednesday, October 2-4, at the Hotel Statler, New York City.

Filling Gaps in Executive Talent

THE DEPRESSION of the '30's, war and other factors have resulted in bad breaks in the age distribution of executives in many companies. Standard Oil Company (New Jersey) has taken steps to correct this situation in its long-range "Program for Executive Development."

As a means of determining what was lacking in a man's experience for efficient performance on his job, as well as for higher positions, a South American affiliate of Standard devised a "gap sheet" (Figure 1). This is a simplified job specification on which are listed the requirements for each successively higher position, which may be checked against the qualifications of the person under review.

FIG. 1

GAP SHEET INTERNATIONAL PET. CO. - PERU		NAME PRESENT LEVEL NEXT HIGHER LEVEL	
EXPERIENCES AND KNOWLEDGES DESIRABLE FOR SPECIFIC EXECUTIVES LEVELS		EXPERIENCES AND KNOWLEDGE LACKING FOR	
		PRESENT LEVEL	NEXT HIGHER LEVEL
GENERAL MANAGER ASSIST. GENERAL MANAGER DIVISION SUPT. ASST. DIV. SUPT. DEPART. HEAD	15. PUBLIC CONTACTS		
	14. NATIONAL AND INTERNATIONAL PROBLEMS		
	13. FUNCTIONS OF DIRECTORS		
	12. PLANNING		
	11. LEGISLATION		
	10. COMMUNITY PROBLEMS		
	9. PUBLIC RELATIONS		
	8. BUSINESS ADMINISTRATION		
	7. SOCIAL PROBLEMS		
	6. OPERATIONAL PROBLEMS		
	5. TRANSPORTATION		
	4. SPANISH		
	3. MATERIALS		
	2. BUDGET		
	1. POLICIES		

NOTE: PLEASE INDICATE WITH 0 - LACKS COMPLETELY X - LACKS PARTIALLY

FIG. 2

DEVELOPMENTAL SCHEDULE INTERNATIONAL PET. COMPANY - PERU		NAME PRESENT POSITION PREPARATION FOR	
DEVELOPMENTAL MEDIA	1948	1949	1950
1. COMMITTEES			
2. TRAINING WITH AFFILIATED COMPANIES (U.S. & S.A.)			
3. DIRECTED READING			
4. EXTENSION COURSES AND STUDY GROUPS			
5. CONFERENCES			
6. CONFERENCE LEADERSHIP			
7. SPANISH			
8. ROTATIONAL EXPERIENCES			
9. VACATION REPLACEMENT			
10. OTHER MEDIA (SPEED READING ETC.)			

A companion form for planning the necessary training to fill gaps in a person's experience is illustrated in Figure 2, a form on which several media to be used for development are set off against a timetable.

Devices of this sort give a positive approach to the problems of creating reserves of well-rounded executives, instead of leaving training to chance opportunities.

—From an address by George B. Corless before the 29th Annual Meeting of the American Petroleum Institute, Chicago, Ill.

Job Values in Relation to Personal Background

WHAT IS a good job—that elusive grail which men pursue? Why does one man go home at night feeling well satisfied, while another leaves disgruntled and grouchy? Is the same job “good” to some workers, “no good” to others? If so, are there family experiences which are common to those who have similar values, and what are they? Further, is there any relationship between such experiences and the conditions men quest in their work? If the nature of such a relationship should be determined and understood, could we do a better job of knowing where and under what conditions a given individual is likely to do his best work?

The last question is one with which counselors and personnel people have long been concerned. It is a usual experience among counselors to find that workers, in talking of the good and bad phases of their jobs, emphasize such values as the kind of boss they have, how much or how little they are appreciated, their feeling of emotional security or insecurity in knowing that they are or are not treated as individuals. These factors seem to mean more to them than the opportunity to use their skills or aptitudes to the full—more even than their rate of pay.

Yet the focus of counseling has usually been on the matching of people to jobs in terms of aptitudes and skills. Rarely have personality quirks and needs been considered in a systematic way. It was felt, therefore, that there is a real need to know more about the ingredients of morale in terms of particular individuals with particular backgrounds.

For study purposes 80 subjects were selected from the files of the Family Society of Greater Boston on whom full historic details were available.* They comprised a cross section of persons coming to the Society's Vocational Counseling service for assistance, who were followed for about ten years. Within this group, the granting of special appreciation was sig-

nificantly favored more than five times as often as was a job geared to aptitudes; being “left alone” without close supervision was prized over the granting of responsibility at a four-to-one ratio; and over twice as many people cherished being treated as individuals as valued the acquiring of a skill.

Here is a sizable group—about half the total number of cases studied—clamoring for special recognition, more than their job performances objectively merit. If we can find trends suggesting that there were particular family experiences common to this group, experiences which have forged the strength or intensity of the individual's attitudes, they could be used as signposts *toward the setting where* such individuals could do their best work, just as a knowledge of aptitudes is now considered a clue to the kind of work they should do.

Counselors could use these guides jointly with the individual in roughing out the direction in which he could seek work. Management could integrate them with selection and assignment, use them in understanding grievances, and personality clashes, in training supervisors, and in blueprinting general personnel policies contributing to morale.

From our study population we grouped together those people whose ratings indicated that receipt of special appreciation was intensely favored and we compared them with the remainder, whose reaction to such a reward was not intense though it may have been positive. Here, too, the contrast is one of degree. Two subgroups were compared—the I's (those having an intense attitude) and the C's (the control or remainder group). Our question, then, was, how do the I's differ from the C's?

Special Appreciation. Those among the I's, who clamored for special appreciation, had weakly unified homes, in contrast to the more cohesive ones of the C group, usually because of constant quarreling between the parents. Far more of the I's

* See AMA's digest of a previous study concerning this same group in *THE MANAGEMENT REVIEW*, Vol. XXXVII, No. 9 (Sept. 1948), “Work Adjustment in Relation to Family Background,” pp. 459-61.

had poor role models and also felt more favoritism than the C's. In a number of instances the subject was the only child for quite a span of years, when a second child belatedly appeared on the scene. Less willingness to risk disappointment characterized the I's.

This low tolerance for rejection and strong need to woo the approbation of the supervisor seem bred in homes where there was little sense of solidarity. The receiving of appreciation, then, may serve to reassure the I's that they are accepted as an integral part of the work group and allay the sensitivity to possible discord in work relationships. There is a further suggestion of an attempt to compensate for earlier shortages in emotional security to find the good role model in the appreciative supervisor, who replaces the erstwhile unsatisfactory parent.

"Fitting" with the Boss. Strong dependence on "fitting" with the boss as the chief means of progressing on the job seems to reach back to the early values and pressures resulting from a poor exemplar and from strong antagonism for the father. Perhaps the acute need for the boss's approval is a protection against the anxiety of this early feeling; or the boss may be a substitute for the denied "good" father. The I's have a low tolerance for frustration, which to them is akin to an attack on themselves.

Fear of Sharp Competition. This would seem to be another member of the same family of attitudes. There is a cleavage on family disruption and favoritism, with the I's having experienced more of both. They also felt stronger positive feeling for the opposite-sex parent and more intense sibling rivalry. Later they show greater unconscious fear of failure, slighter ability to work toward a goal, and less general stamina in being willing to risk disappointment. This shunning of competition seems so deeply rooted that the dubious value of pep talks to certain salesmen and job-hunters is manifest. Instead, other realistic abilities might be utilized in the kind of setting important to them as individuals.

Future Security. In a sense, these are fellow-travelers in the quest for a work-

ing environment where they can feel secure. Here, too, there is little insistence on making their own decisions or emphasis on getting along by their own efforts on the part of the I's; nor do they express any appreciable resentment of their families' domination. An interesting finding is that those in the group which values job security most (often a manifestation of deep self-doubt) express their uncertainty the least.

Being "Left Alone." The childhood of the I's is especially marked by shifts in family membership, by relative freedom from illnesses, by strong antagonism for the mother, and surprisingly, by a better school experience than the C's. (It might be noted here that unless combined with strong antagonism for the parent, family disruption *per se* does not seem to develop into attitudes which seriously restrict the individual.) Later the I's tend to repeat their family patterns notably, and accentuate their insistence on being generally autonomous.

The better health and school experience of the I's represents, perhaps, the positive rather than the reactive side of the attitude—a physical and mental sturdiness which extends into a realistic wish for running their own show in the industrial environment. Counselors in industry, aware of the roots of the attitude, might try to help such individuals develop skills consonant with working alone.

Being Treated as an Individual. Fewer deviant members in their families and better exemplars distinguished the I's. Later they are able to reverse their early family patterns, they voice little self-disparagement, rely less on "pull," have better ability to make long-range plans and greater flexibility than the C's. The superior caliber of the signals by which they were taught to live seemed to develop sturdier sinews with which to counteract difficulties and real confidence in themselves as effective individuals—assets which they want recognized in their jobs. They react negatively to work where they are cogs in the machine but value the sense of participating in the whole job.

Good Pay. Here the differences lie in

the poorer role models of the I's; in the fact that they were the "favorites" to a more marked degree. They felt considerable affection for their mothers, as they do currently for their wives. Nepotism is more apparent and their staying power is weaker. There is a suggestion in this that good pay is interpreted as the token of appreciation needed to allay their acute appetite for approval, an appetite partially whetted by the favoritism.

Some Control over the Job. The I's experienced somewhat more economic pressure as children, were generally more gregarious, and had families that were more tightly knit. Later they tended to reverse early family patterns, developed more stamina in handling their difficulties, and showed a greater tendency to run their own shows generally.

The urge to participate, to achieve a measure of independence in the industrial environment through contributions to decisions, bulks strong in and is a forerunner of worker security. Such security frees the worker to seek growth and development so that he can take responsibility and should, therefore, pay dividends to industry.

From the foregoing, it seems clear that people react to certain working conditions with attitudes molded from the clay of their personal histories and these attitudes represent adaptive efforts to find work satisfactions which will fulfill the needs inherent in those histories. The quality of the molding rests on the emotional security or insecurity of childhood. The nature of the demand on the job and the nature of the earlier deprivation are plainly related.

The outstanding quality of many of the individuals who accentuate these values is the depth of the wound to their self-esteem caused by their early family experiences. When this sense of worthlessness is acute, each setback on the job, no matter

how slight, is interpreted as a personal attack. A pay cut is described as "an insult to me as an individual"; a temporary transfer to less skilled work as "making a monkey out of me."

Whatever the quarry sought from the job, it is clearly the identical and specific sentiment of which the worker was deprived while growing up. What Schopenhauer termed "the push from the rear," the past experiences which imperiously demand satisfaction, exists in varying degrees with all the people studied. They are, however, less insistent in the emotionally healthier individuals, who are more realistic in going after the satisfactions with which they can counteract unfavorable early influences.

The identical unhappy experience sometimes appears in the lives of both the totally inadequate worker and the successful one, an experience which results in a hardy appetite for power in both. One man will transform it into a realistic drive for achievement, while the other drags it through life like a chain.

These trends or directions, of course, are not always as clear-cut as they might seem from the foregoing. Drives are usually diluted by a mixture of conflicting feelings. The case material does indicate, however, that an awareness of the strength of these driving forces in the selection of the setting for an occupation as well as the occupation itself should be woven into the counseling process. The counselor's job cannot be well completed until occupations are systematically studied for the drives common to the people in them, just as occupations have been studied for characteristic aptitudes or skills. Though the work involved in studying occupations for their broad emotional constants would be of enormous proportions, the rewards would be commensurate in their contribution to the field of counseling and industrial relations.

—From *Work Adjustment in Relation to Family Background*, by JEANNETTE G. FRIEND and ERNEST A. HAGGARD, *Applied Psychology Monographs of the American Psychological Association No. 16*, Chapters 10-11, pp. 97-112.

IN A DEMOCRACY, only stenographers fear dictators.

—T. HARRY THOMPSON in *Sales Management*

No Smoking!

A QUESTIONNAIRE SURVEY recently conducted among representative manufacturers in the United States and Canada on the question of smoking in the plant, highlighted the failure of many firms to recognize one important fact: that washroom smoking costs industry millions of productive man-hours.

Forty per cent of the companies represented indicated only partial satisfaction with their solution of the problem, 10 per cent were not satisfied at all, and 10 per cent ignored the problem altogether. It is difficult to understand the apparent apathy of many companies whose payrolls range from a few hundred to 150,000 employees, in that they admit to being only partially satisfied with a situation that is costing them, conservatively, one-half man-hour per day for each male, and slightly more for each female employed.

It is significant that, with two exceptions, all companies indicating 100 per cent satisfaction with their smoking setup permit smoking at all times and places, except, of course, in hazardous areas.

An interesting trend brought to light by the survey is the growing change in attitude toward women office employees smoking at their desks. While the number permitting this practice is still low—20 per cent, the men who expressed a desire to see this change instituted exceeded that number considerably.

The survey seemed to point up the belief that men are going to smoke, regardless of rules or incentives, and are bound to waste time getting to a hideout and talking a good deal while there. As far as was ascertained, no insurance company charges a premium where smoking is permitted, and restricted areas in smoking-on-the-job plants are strictly observed. Such areas are usually policed by the men themselves, and few, if any, industrial fires are started by workers' smoking on the job.

The study seems to indicate that the answer to the question of "To Smoke or Not to Smoke" should be a strong affirmative, modified, if at all, only by the exigencies to be expected of adequate fire protection and production contamination safeguards.

—A. M. ELLIOTT in *American Machinist* 9/22/49

This Union Fights Beside Management

THE CITIZENS OF ZANESVILLE, Ohio, read in their daily newspapers not long ago large ads announcing a new slogan contest. The subject was "Why It Pays to Buy Milk in Glass Bottles," and the prizes were attractive: a 30-day supply of milk to each of three weekly winners during the 13-week term of the contest, a grand prize of a 16-inch television set. The contest was plugged by announcements on a weekly program over the local radio station and received generous mention in the news columns of the papers. It was well planned, backed by effective advertising and publicity, skillfully designed to create interest and draw attention to the merits of a particular product. Its sponsor was not a manufacturer or group of manufacturers of glass containers but a labor union—the Glass Bottle Blowers Association, AFL. And the Zanesville contest was only one phase of a unique program through which the GBBA is giving new meaning to an old and somewhat booted-about phrase, "labor-management cooperation."

This union of production workers has lined up solidly beside management in a large-scale, all-out effort to boost the sale of its industry's product. It is throwing a substantial portion of its funds and countless hours of the time of its officers and members into the hotly competitive battle of the glass container against other packaging materials: tin, paper, plastics, etc.

How well is this money being spent? GBBA has made use of expert help to spend its promotional dollars in the places and ways they will do the most good.

For instance, the GBBA promotion follows closely that carried on by the Glass Container Manufacturers Institute. Union ads stress the same themes as GCMI ads—

at present, principally the One-Way beer bottle and the glass milk bottle—and use similar copy.

The union is concentrating a large part of its effort on the labor market: the 16,000,000 union families whose total earnings are estimated at \$47,000,000,000 a year. Its principal advertising media are the labor publications of the country, in which GBBA this year will buy \$15,000 worth of space to advertise glass containers.

Backing up the ads in both labor and general papers is a hard-hitting merchandising campaign, directed by Trade Union Advertising, New York, publishers' representatives for 175 labor papers. In connection with the One-Way beer promotion, representatives of TUA and the local papers called on brewers, acquainted them with the campaign, and told them how they could cooperate with it. They visited retail dealers, put displays in their stores, and advised them to stock One-Ways immediately because union members would soon be asking for them. They gave store clerks pencils imprinted with advertising slogans and supplied the dealers with bottle openers for free distribution with One-Way purchases. At the same time they questioned the dealers on their attitude towards the One-Way and their brand preferences. Reports of this survey often proved valuable to brewers in their own sales programs. In glass factory towns this kind of merchandising work is done by GBBA members also.

Ben Wood, GCMI marketing director, reports: "We have been a little surprised and thoroughly delighted by the energy and resourcefulness of the merchandising efforts of the GBBA and the labor press. They have been a very real aid in our campaign to expand the markets for glass containers.

"However, we feel that there are implications more significant than the tangible results accruing from labor's plunge into product promotion. These are the heartening influences of labor's recognition that the roots of its own vitality are in the same garden as those of the companies it has organized."

—ROYDEN STEWART in *Printers' Ink* 4/14/50

Number of Women Workers Rising

THAT TEARFUL BALLAD of the early 1900's, which cried "Heaven Will Protect the Working Girl," should be rewritten to read "Heaven Must Protect the Working Male."

For women are taking over.

They have been taking jobs at three times the rate men have in the past decade. Especially married women. The number of working wives has soared 90 per cent in that period. And that's a fact of no small economic note.

For one thing, it means that more families have two pay checks to spend for everything from soup to soap to autos and television sets. According to Department of Commerce figures, in one of every five U. S. families both spouses worked or looked for work last year. A decade ago, the figure was one in every nine.

The number of women holding jobs or looking for them has climbed 24 per cent in the past decade, though the female population over 14 years old has risen only 11 per cent. Meanwhile the number of men workers has inched up only 7.7 per cent—little more than 5.7 per cent male population rise.

The demand for women workers is still gathering momentum, personnel experts say.

For example, William A. Dane, general manager of the Long Island Employment Bureau Agency, of New York, says: "I've got more orders for qualified women workers than I can possibly fill. Right after the war everybody was looking for men to fill jobs, but since 1948 there's been a trend to women."

Even companies that have traditionally employed a high percentage of women are using more today. The New York Telephone Co., for instance, has more than twice as many women now as it had in 1940. Its numbers of male employees has increased but 47 per cent. General Electric Co. says its proportion of women to men is up considerably since prewar.

—STEPHEN K. GALPIN in *The Wall Street Journal* 5/24/50

A Million Morons

DONALD A. LAIRD

*Oh, see the happy moron,
He doesn't give a damn.
I'd like to be a moron—
Good grief! Perhaps I am.*

CHARLOTTE has been on the job four years, packing hosiery in pretty boxes. She is always punctual, never complains, and does not talk much. She is paid on piece rate, and every pay day the forelady has to explain how her pay has been determined, and Charlotte always says, "Oh, is that how!" Last summer she had a one-week vacation, but came back to work two days early, thinking her vacation was over. Once there was a shortage in the looping department so she was shifted there as a promotion, but she messed things up and was glad to come back to packing.

One day the forelady sent Charlotte to the office with some reports, but she lost her way back. The forelady thinks Charlotte is such a nice girl and would like to have her hold a better job, or marry. In fact, she fixed up a date for Charlotte with one of the machine tenders at the employees' picnic, but he said she was just "beautiful but dumb." The machine tender was right. Charlotte does not have much intelligence, not much capacity for using her head, though she is splendid for packing hosiery.

Intelligently directed action, according to Dr. George D. Stoddard, psychologist-president of the University of Illinois, has these nine characteristics, and comparing *A*, the intelligent person, with *B*, the less intelligent person, we can illustrate as follows:

1. *Does difficult tasks—*
A can spell rhinoceros,
B can spell cat.
2. *Does complicated tasks—*
A can find way in big city,
B can find way in small city.
3. *Works with abstract things—*
A can learn word meanings,
B knows simple words mostly.

4. *Shows economy in work—*
A is speedy, accurate,
B is slow, bungling.
5. *Adapts to a goal—*
A works for a purpose,
B works for next meal.
6. *Considers social values—*
A considers other person,
B does as he pleases.
7. *Originates—*
A figures out things,
B doesn't figure.
8. *Concentrates—*
A keeps on main track,
B is distractible.
9. *Resists emotional forces—*
A inhibits prejudices, temper,
B is spontaneous, impulsive.

Those nine characteristics are features of some important differences in individual capacity which are variously called

Abstract intelligence
Adaptability
General mental ability
General intelligence
Intelligence
Placement rating

We will call this capacity to use one's head just plain intelligence without pussy-footing. Yet it is often wise to restrict the use of the word intelligence, for people don't mind admitting, even bragging, that they differ from others in finger dexterity or musical ability, but they are touchy if someone implies they have low intelligence. It is all right to belittle their fingers or hearing acuity, but not their brain power.

Our competitive culture seems to place a high value on intelligence, consequently people are sensitive about any short-change in this quality. To call a person dull is as upsetting as to call a man a sissy. Even the bright person appreciates being called keen. To avoid reflection upon this personal vanity, many employment departments speak of "the personnel test standing," or they refer to intelligence by the name of the psychologist who devised the test they use.

From a forthcoming book in publication by the McGraw-Hill Book Co., *Practical Business Psychology*.

The Army tested the intelligence of some 10 million men during World War II, but did not come right out and call it an intelligence test. It was strategically called the Army General Classification Test (AGCT), but a rose is a rose whatever it is named. A soldier, instead of being said to have low intelligence, was said to be in class V on the AGCT. This avoided criticism from taxpayers who might object that it violated the constitution if people were labeled as different in intelligence, since everyone is supposed to be free and equal in a democracy. Everyone is free and equal politically, but is not free and equal in size, strength, health, or abilities and powers.

People differ as much in intelligence as they do in other qualities, ranging through a bell-shaped normal distribution from low to high, with most of us in the middle. But there is this peculiarity about intelligence—the range from high down to low is greater than in most other differences. The ratio is approximately 3 to 1.

The brainiest 100 people in, say, Kokomo, are three times as intelligent as the 100 dumbest (this leaves out an idiot at the low end, and a possible genius at the upper end). That ratio of 3 to 1 between bright and dull extremes holds the world over—and also in most companies that employ a few hundred people.

The citizen who is three times brainier doesn't have three votes; if anything, the dumb one is more likely to vote a couple of times the same election at the behest of an unscrupulous politician. In business the brainier individual may do all the voting on company policies, but a rebellion by the less brainy may make these decisions null and void.

It would create considerable excitement in Kokomo, or any other city, if some people who were three times taller than others walked down the street. Yet every day people with three times the intelligence of their neighbors, pass each other on the streets and can seldom be told apart by looks. But the differences show up when they go to work. Those at the dull end can do good work helping make

products and keeping buildings in good condition, but the planning which makes the profits and keeps the firm in business is done by those at the bright end of the distribution.

They haven't all been counted, but you can be sure there are more than a million morons in the country. They are good workers for many jobs—Charlotte was a moron—and they also make a lot of problems. The morons have an intelligence quotient of 50 to 70, not quite half that of the average person of their age. They are adults whose mental age is between 7 and 12 years. The fifth grade of school taxes their brain power to the limit.

There have always been morons, but they were not named and separated for study until Binet tests were first used in this country. Their name is from the Greek word meaning dull, or sluggish. Morons look like other people—sometimes they look much more attractive than brainy people. Their brains look just like other brains under the microscope, but they don't work as intelligently. Morons do not have much for minds, but they are plenty good enough for many easy operations. The moron will be happy on an easy, repetitive job which others would find monotonous. But they raise special problems in training and supervision.

Here are some things the average moron cannot do:

Make a sentence using the words: boy, ball, river.

Name the 12 months of the year.

Tell whether Paris is more than 12 miles from New York.

Tell ways in which coal and wood are alike, and how they are different.

It seems impossible, yet there are nearly a million workers who cannot figure out such seemingly simple things. But even with such low ceilings on their intelligence they can do the following kinds of work well:

plain painting
sweeping and cleaning
packing unbreakable articles
mechanic's helper
laundry work
broom making
shoe repairing
jig-saw work

waitress
power sewing
cooking
farm work

Some baseball and boxing stars who have become national heroes were of moron intelligence but died broke despite big earnings because they lacked ability to figure and plan ahead.

Some morons develop considerable "peasant cunning" which enables them to cover their tracks and give the impression they are more capable than they are. One psychologist, of all people, had employed a moron for housework and did not learn for six months that she could not read or write. Morons often realize they are "slow on the trigger" and eagerly pick up shrewd tricks to offset this disadvantage as much as possible. Some of the things taught them by others are:

Never accept the first offer but always ask for more money.

Slip defective work into another worker's production so the boss will not catch you.

Never say you quit the job because of the boss, or because you wanted to go fishing. That would disqualify you for unemployment compensation. Say you quit because the work was bad for your health.

It takes considerable intelligence to have a conscience, and the moron requires more training than others to produce some resemblance to a socialized conscience. Most of the spontaneous training he gets is in the other direction. He can be trained into a good conscience, but seldom is so trained outside of a special institution. The problems from morons arise from this lack of training, and from personality kinks.

Despite the opening verse, not all morons are happy. Some of them become sullen and vicious, as when their parents reject them in favor of a more intelligent brother or sister. Some of them get inferiority complexes after they have failed the fourth grade three times. Some of them are led into vicious antisocial habits by small-time racketeers. Those

who acquire personality twists or wrong training are usually the ones who end up in trouble, or in a state training school for the mentally defective. These schools receive only a small percentage of the morons, and mostly those who are problems. Business and the minor courts get the rest of them.

Typical of the best of these special schools is the Southbury Training School, in Connecticut — one of the newest. Of the 1,400 pupils there, some 500 are morons who have sufficient intellectual ability to be self-supporting in the right work, once they are properly trained and their personality problems solved. The training does not, of course, improve their intelligence appreciably, though some gains do occur.

The school's chief psychologist, Dr. Milton Cotzin, has set up a psychological service calling for five psychologists and three internes in psychology to guide the development of work skills and habits which will stabilize the personalities of these morons. About half of them are straightened out so they can be placed in jobs, and after a period of supervision by social workers they are able to proceed on their own. In addition to training morons in how to take care of themselves, Dr. Cotzin also provides courses to train school teachers, social workers, employment managers and manufacturers in how to handle and train the moron.

Morons may require more attention than the average person, but it is also profitable to give attention to those at a corresponding place on the high end of the distribution of intelligence. For every moron there is also one person of very superior intelligence—with an intelligence quotient of 120 or better. The morons need training to engender good habits; the superior and gifted need opportunities to use the priceless intelligence they have.

The morons can work for business, but the superior person can make the business profitable.

ONLY 5 PER CENT of workers retire voluntarily at 65, according to a recent survey. Out of 4,491 surveyed, 54 per cent of the men and 42 per cent of the women retired because of employer initiative. Most of the others stopped work because of poor health.

—For Your Information (Edwin Shields Hewitt and Associates), June-July, 1950

Mouths to Feed Are Always Problems

MEALS IN THE PLANT for employees have always been a pain in the neck for industry—especially for smaller operators. Big companies feed enough people every day so that they can generally break even, but small ones keep running into problems.

The Paper Cup & Container Institute recently surveyed 26 small plants in 10 states. Of course, the Institute's main reason for running the poll was to find out who was using how many paper containers in plants. But it also was out to get a lot of information about in-plant feeding problems and solutions. Of the 26 company respondents, 12 employed 500 to 1,000 workers, and the other 14 employed 100 to 500.

Here are some of the survey findings:

No company surveyed "made money" feeding its employees. The majority "hoped" they were breaking even. Six admitted they have to make up monthly deficits—anywhere from 80 cents to \$4 an employee per month.

Initial costs of setting up cafeterias (paid for entirely by the company) ranged upward from a \$1,000 investment in a stove, a refrigerator, and second-hand kitchen equipment to feed 100 employees. Other figures: \$23,000 for equipment in a plant employing 800 persons; \$5,000 for a food-service system for workers on an out-of-the-way construction project.

The top choice of employers and workers seems to be cafeterias. Seventeen plants had cafeterias furnishing hot meals. Most of the others provided food service through mobile canteens, selling hot soup, sandwiches, cakes, pies, and coffee, and in some cases one hot dish.

Most of these plants also had vending machines for candy, crackers, soft drinks, or coffee during rest periods, or sold them over the counter in canteens.

One firm's combination of feeding plans, which was typical, was: (1) a cafeteria providing hot food; (2) a "takeout" service for snacks during employees' 10-minute relief period; and (3) vending machines, operated as a source of income for the Employees' Relief Association.

Employers have to furnish food service to keep the workers happy, but employees don't have to eat it. That adds to the difficulties in small-plant feeding operations. Of companies checked, the Institute reports: None claimed that all employees used company facilities; only five claimed 80 per cent or more of employees were food customers; seven estimated between 50 and 80 per cent of their workers were customers; three admitted they were operating a food service for less than half of their workers; the rest wouldn't answer the question.

What makes the difference? Employers listed: (1) availability of other means of getting lunches; (2) length of the lunch hour—the shorter the time, the more patronage for company facilities; and (3) the type of food service.

Institute field men added some others. Money-saving home-packed lunches still are popular, they found. An obvious dissatisfaction with the choice and quality of food in the company cafeteria is another patronage factor. A third: In two plants, a lot of non-patronage resulted from the workers' desire for beer with their lunch—they could get it at taverns nearby, but not at company cafeterias.

Since running a cafeteria for only a few employees is expensive, one San Francisco employer made a unique bid for more business. He acted as food supplier for a number of other companies in the neighborhood. By opening his cafeteria doors to their employees, too, he tightened his relations with the customer companies and also cut his cafeteria losses.

Most respondents employ the services of caterers, give caterers free space, light, heat, and fuel. Sometimes they even furnish kitchen service, and dining-room equipment. Many contract with caterers on a straight concession basis, and agree to pay all operating losses. But the developing pattern seems to be a cost-plus-fixed-fee basis—under which prices are adjusted to cover costs and any surplus is appropriated for employee activities.

—*Business Week* 4/15/50

Strike Back—Give to Conquer Cancer!

Improvement by Comparison

EDWARD A. ARNOLD

WHERE a number of "branch" units are doing essentially the same work, there is a fairly simple way to effect worthwhile improvements without contributing any new ideas, without creating resistance from the men doing the work, and without danger of being wrong.

1. A dozen or more units are selected that are doing a dozen or so tasks that are essentially identical—units such as field offices, subject matter divisions, etc. Or even a line of identical positions that are parallel. These units can be found in most organizations. Or sometimes a joint project can be arranged with other establishments having kinds of work in common.

2. With respect to each of the dozen identical tasks being performed by the units under comparison, it is decided which unit is doing it best. There are several well-established ways of accomplishing this—work-measurement devices, rating and ranking devices, and the like. It will be necessary to determine what the term "best" refers to in the particular situation (speed, or economy, or quality, or whatever); what work unit to measure; and how to go about taking the measure. While this can become an involved and tortuous undertaking, it needn't. Most of the "best" of a dozen units in each of the dozen tasks are readily tagged by the simplest of observations.

3. An inquiry is then made into the practices of the best unit for each task, to discover how it *manages* to be best. Again, there are the several conventional ways of accomplishing this. An over-all survey is indicated, but it need not entail a disrupting physical invasion by an army of analysts. A selectively drafted questionnaire, selective interview-

ing, and similar procedures are often adequate.

The survey will have to cover all the basic "tasks of management," however, and not overlook anything that might have a bearing on the unit's superiority. It should result in a comprehensive written description of the way the unit manages to be best in a given task; and a description of the "best practices" for that task. A dozen of these descriptions should be prepared—one for each task.

4. This constitutes the basis for a manual of standard operating practices. Drafts of each description can go out to all units for comment. After a good job of editing, the manual is ready for distribution.

5. The process can be repeated from time to time, keeping the document—and the units—uniformly up to the best performance any one of them can manage. All the work being done in the organization can in time be included.

This approach to management improvement offers several commendable features:

It takes no genius. Some hard work is involved, but anyone can do it.

The usual resistance to change is reduced to a minimum. Only the *best* work is being sought out and studied, and credited. No criticism is made of poor performance by any unit. The changes are not the product of the onerous "efficiency expert" or "big wheel," nor are they "new" or "experimental". They are changes that some of the units have themselves developed, for themselves—there is nothing "impractical" about them. Nor have the changes caused these units any hardship, or any loss. All units are treated alike, and none is singled out; and ordinarily, one and all will have to

change in some practices and not in others.

As a matter of fact, there may be a measure of enthusiasm for the changes. Quite likely, each unit will have contributed something to the document, and will be "for" this much at least. (Each can be deliberately "given" one credit, in many cases.) Each will have been consulted for comment on everything the others have contributed. And every prac-

tice written up has proved to be very successful, in actual experience in the work and can't be mistaken.

The approach is particularly successful in an old organization in which management improvement has never been introduced as a "program." The variations from unit to unit are apt to be sizable in such organizations, and improvements notable as a result.

Current Business Construction Inadequate

CONTRARY TO general understanding, business and industrial construction has been at low tide during the postwar period of record-breaking business activity in other lines, according to an analysis made by the Machinery and Allied Products Institute. Business construction, in terms of constant dollars, has averaged lower levels in recent years than 20 years earlier, despite the growth in population and increased industrial activity.

In charting plant expenditures and equipment expenditures, the Institute found a similar lag. Computed at constant prices, equipment expenditures for the five years from 1946 to 1950 were up nearly 150 per cent from the five-year period 1926-30. Plant expenditures, on the other hand, were 10 per cent lower in the postwar period than they were in the late 1920's. Prior to 1930, plant expenditures constituted about 40 per cent of total fixed capital outlays, whereas in the postwar period they have averaged only about 25 per cent.

In seeking explanation of the lag in postwar plant construction, the Institute examined five factors:

1. *Economies in the Use of Space.* There is no clear evidence that this factor has exerted more influence in recent years than formerly.
2. *Cost of Construction* has risen much more sharply in recent years in relation to equipment prices.
3. *Shortage of Outside Equity Capital.* Plant construction usually involves such a large investment that there may be a tendency to postpone it unless outside capital is readily available.
4. *Earlier Overbuilding.* Plant construction figures show no overbuilding since the 1920's and any excess at that time should have been fully absorbed long ago.
5. *Decline in the Growth of the Labor Force.* In the decade 1900 to 1910, about 660,000 workers per year were added to the private labor force as compared to only 525,000 in the decade 1940 to 1950, resulting in a drop from 2.5 per cent per year to a rate of only 1 per cent.

It is doubtful whether the factors reviewed add up to a reasonably satisfactory explanation of the low level of postwar plant expenditure. There remains an element of obscurity, if not of mystery, in the phenomenon. In any event, the most promising approach to the expansion of business construction is to accelerate the obsolescence of existing structures, thus stepping up the volume of replacement demand.

It is estimated that almost 60 per cent of the entire stock of structures consists of assets over 20 years of age, while nearly 30 per cent of them are over 30 years old. Acceleration of obsolescence has the potentiality, therefore, of developing a tremendous volume of business. Such a shift to the replacement of earlier structures is as logical for the construction industry as it is desirable for the country at large.

—*Capital Goods Review*, Vol. I, No. 2 (Machinery and Allied Products Institute) June, 1950

How Manufacturers Use Productivity Data

DOES AMERICAN INDUSTRY use productivity statistics as an essential part of its business operations? If so, where does it get the information it uses and what benefits can it point to? To get answers to these questions, representatives of the Bureau of Labor Statistics visited 40 manufacturing firms and 15 industry associations, which serve as spokesmen for a substantial number of member establishments. Three industrial research institutes and two large publishers of trade magazines dealing with matters of interest to industry were also consulted. The firms visited included large and medium-sized organizations operating in 14 distinct segments of industry for which productivity statistics were available.

The following will give some idea of the scope and kind of benefits derived by the companies using productivity data:

1. All manufacturing organizations covered by the survey regularly compile summary data on labor cost or man-hours derived from their plant records. These are used to indicate the trends in efficiency in their own organization for specified operations, departments or groups of production activities.
2. Productivity statistics issued by government agencies and other organizations are reviewed by senior management officials and circulated among executive staffs.
3. Productivity surveys and industry statistics are disseminated widely by manufacturing associations, business research institutes, business magazines, publishing houses and manufacturers' representatives as a part of their service to their members. In virtually all instances these organizations prepare reports which supplement the statistics with comments, interpretations of the data and general economic analyses.
4. The value of productivity data in terms of man-hours expended per unit of production is being extensively discussed within the companies interviewed. The man-hour concept of productivity measurement as a supplement to cost comparisons, though relatively new to many officials, is becoming recognized as important statistical information.
5. All the firms regularly utilize published statistics and reports on productivity to provide a basis for comparison with their own company experience. Trends in man-hours expended per unit of production are being increasingly applied as a yardstick for measuring the position of an individual organization in relation to the industry as a whole, and to groups of similar firms.
6. The most generally useful productivity statistics relating specifically to individual industries are the annual studies prepared by the Bureau of Labor Statistics—because of the frequency of the reports and the detail in which the data are presented.
7. Detailed company analyses of published productivity reports are prepared by responsible company officials and used for purposes of management action.
8. Virtually all firms reported that productivity studies are valuable educational aids not only for junior executives but for management officials as well.
9. Published productivity series have encouraged manufacturing firms to modify and expand their own accounting systems for more adequate productivity statistics covering their own facilities. About one-third of the companies surveyed had made improvements of this type.
10. The information contained in published productivity reports has prompted re-evaluation of time study programs, work standards and job ratings in many companies.
11. Almost one-third of the firms mention that published reports of industry productivity have stimulated re-surveys of their own plant layout, machinery and equipment, and existing work methods, to eliminate productivity differentials revealed for the first time.
12. Two-thirds of the firms reported that they used unit man-hour data supplied by government reports in conjunction with company material in their periodic surveys of job standards, work methods, wage rates and factory operation.
13. Productivity data are used by some of the firms surveyed in initiating or administering bonus and incentive wage plans.
14. They are also used to give more accurate estimates of future production and potential productive capacity by individual companies.

15. As the result of company research (stimulated by the availability of productivity data for a particular industry), some establishments have instituted effective administrative control techniques which have resulted in numerous operating economies.
16. Published industry reports on productivity—which include material on production methods, equipment, and factors affecting productivity—have been found useful in planning the location of new manufacturing facilities and in determining manufacturing methods and equipment to be adopted.

For many years, industrial establishments have regularly maintained cost records and prepared measures of efficiency for their production operations—either in terms of over-all labor cost for the entire plant, or for specific departments, processes or operations. In recent years, a growing number of firms have expressed these measures of efficiency in terms of man-hours as well as labor cost, in order to analyze separately the labor time expended per unit of production and the payment for such labor time. This has had a direct bearing upon the ability of American industry to achieve its rapid improvement in productivity.

The factor most commonly cited as the reason for the increased interest in productivity was a growing awareness of its importance in determining the amount of goods produced with a given labor force. Many officials are keenly aware that accurate productivity measurements are especially important during periods of adjustment to changing economic conditions, such as those incident to war and postwar operations.

Plant representatives stressed the value

—GEORGE E. SADLER and WALTER HIRSCH. From *Uses of Productivity Data in American Manufacturing Establishments*, Report No. LS 50-119 of the U. S. Bureau of Labor Statistics (Productivity and Technological Development Branch), U. S. Dept. of Labor, June, 1949. 17 pages.

of industry surveys of technological developments, which have been made a part of recent productivity reports. Favorable comments were also made on productivity studies which permit companies to compare their plant trends with averages for the industry as a whole and for groups of comparable factories. Information of this type was not previously available for many industries. Firms are able to judge, on the basis of these productivity reports, whether they are forging ahead or falling behind the rest of the industry.

Productivity information has proved to be valuable for general reference purposes even where the data cannot specifically be compared to a company's own operations. Information on unit man-hour trends for related manufacturing activities has been of considerable interest to firms engaged in the production of non-standardized and constantly varying product lines—where it is impossible to set up statistical measures of changes in productive efficiency.

It was generally reported that the additional cost involved in setting up records of unit man-hour requirements for products was justifiable only when published statistics were available for the industry as a whole. On the other hand, the list of firms which have modified or expanded their cost accounting system in order to provide more detailed productivity analysis is a long one. In most firms, however, productivity data for the industry were employed in a more general manner. They were commonly used in conjunction with the firm's own records, and served as an aid in periodic checking on the validity of existing standards.

Crisis in Tools

ONE OF THE BASIC PROBLEMS confronting British industry is acknowledged to be obsolete equipment. In this country producers are being warned of a similar development. By 1955, it is estimated, more than three out of every four machine tools in the U. S. will be at least 10 years old. Despite the boom in World War II, the ratio of tools less than 10 years old is the same as in 1925.

—*Nation's Business* 8/50

Incentives Reduce Costs

A FOREMAN'S incentive plan was one of the chief factors in effecting and maintaining substantial cost savings at the Plomb Tool Company, Los Angeles. The plan has been in successful operation for two and a half years. Another incentive plan, for direct operators, has been in full force for 10 years with very satisfactory results.

Basis of the plan is the over-all controllable cost of a unit of production. The basis of measurement is one minute of time, and is called one unit. If the actual time of doing an operation is .500 of a minute as evaluated by the time study engineer, and if 40 per cent in allowances is added to it, then .500 of a unit plus .200 of a unit, or .700 units, becomes the standard for the operation. This is divided into 60 (minutes), so the operator must turn out 86 per hour to meet standard.

His "raw time" is .500 minutes per piece, so it may be possible for him to turn out 120 pieces per hour, or 34 bonus pieces. Multiplying by .700, he has 24 bonus units for the hour's production. The bonus unit value has been established at 75 per cent of the value of the base unit rate. If the operator has a base rate of \$1.50 per hour, the base unit value is \$0.025 and the bonus unit value is \$0.01875. His pay would thus be \$1.50 plus \$0.45 ($24 \times .01875$), or \$1.95 for each hour he turned out 120 pieces.

Above this unit base, the Foreman's Incentive Plan is based on actual and comparative costs through the media of operating control; all results are relative to the month before, so that last month becomes the bogey for this month. For maintaining last month's costs within 20 points in his department, the foreman receives a flat 5 per cent in the bonus column. A very slight decrease in costs will cause the loss of the bonus for "maintaining."

When a foreman reduces his costs, he receives .2 per cent in the bonus column for each point he decreases the cost of the unit, or 1 per cent in his bonus for each 5 points in cost reduction. A penalty factor is applied to the bonus of any foreman who allows poor housekeeping to exist in his department, while a plus or minus factor for safety is based on frequency and severity figures as compiled each month by the safety engineer. If either factor is reduced this month over last, the foreman receives 1 per cent for each in his bonus column. For an increase in either he is penalized 1 per cent.

Every general foreman may be rewarded for both the specific results of his own efforts in his department and for the effects they will have on the over-all plant costs. A bonus on "factory average" is part of the plan: For maintaining within 10 points, a flat 5 per cent in each general foreman's bonus column; for decreasing, 2 per cent for each point of reduction.

The application of this plan completely integrates the theory of incentives throughout all levels of employment in the manufacturing division. The operation of both incentive plans is another proof that properly designed and applied incentives can hardly be surpassed in the development of top manufacturing efficiency. It also indicates that a high standard of foremanship, properly coordinated, is the most important day-to-day agent of cost control.

—FRED M. BURT in *Mill & Factory*, March, 1950

AMA PRODUCTION CONFERENCE

The Fall Production Conference of the American Management Association will be held on Monday and Tuesday, December 11-12, at the Hotel Drake, Chicago.

Top Management Must Be "Sold" on Advertising

IN 1945 most manufacturers were rationing their products among grateful buyers. Today, five years later, those that are not beating the bushes for business are rarer than Republicans in Randolph County. They didn't need business then, so they advertised plentifully. They need it today, so they advertise less.

Does that make sense? High World War II profits and the tax setup are two of the reasons, but only two. The main reason is that so many business managements do not associate advertising with sales. Some of the manifestations of this fact are almost incredible. "Advertising is a mighty fine thing—we use it ourselves. Good thing to keep your name before the trade," say so many manufacturers. But their faith is fragile. Come the chill winds that blow profit margins to a thin black line, and advertising becomes a *dispensable* mighty fine thing. The pleadings of advertising manager and agency alike fall on deaf ears. The tool designed to make selling easier is laid aside when selling gets tough.

The able advertising man knows markets, copy angles, rates, circulations. But he rarely stands off and looks at advertising objectively. He takes its worth for granted. To the executives who okay budgets, however, advertising isn't obviously essential. It appears on the monthly statement as an expense, and like all other items, its value must be constantly weighed.

If management makes the wrong decision regarding advertising, it may be because advertising did not advertise itself very well to management. Those advertising managers who don't have budget-time jitters keep management reminded 365 days a year of what advertising is doing to keep selling costs down.

In the first place, they intertwine themselves so closely with the sales depart-

ment that management doesn't think of advertising as a thing apart, but as an integral part of the sales operation.

In such cases there is seldom any problem of selling advertising to management, for no management ever contended that a competitive business can exist without sales effort; and if advertising is recognized as a part of sales effort, then the problem of selling advertising to management vanishes.

Integrating the advertising effort with the sales effort may give most of the answer—but not all. Advertising executives have still found it good practice to send management and sales staff a regular bulletin on advertising developments, containing comments by salesmen on how advertising is helping them, explaining how advertising is being focused on objections encountered by the salesmen. A good bulletin contains fundamental lessons in homeopathic doses on the basic value of advertising.

Budget-worried advertising managers, take note: Make the lessons simple. Use simple arithmetic and concrete cases wherever possible. Don't be afraid of being too elementary. You live, breathe and eat advertising 24 hours a day. Your management does not. It also has to worry about such trifles as keeping labor, stockholders and customers happy simultaneously.

Salesmen, who are in constant contact with the trade, are aware of the fact that the people who make up the market for your product are not a fixed audience but a moving parade. Management is likely to forget this and must be reminded of it constantly.

In support of the need for advertising, the advertising manager can quote his boss an average industrial executive personnel turnover of 15 to 20 per cent a year. But it is far more effective for him

to analyze the names on the salesmen's call lists and let management know the exact percentage of new blood that comes in each year.

Management is likely to regard the fact that the organization sells the same companies year after year as evidence of customer stability. But that is less true than it seems to be. For you do not sell to companies—you sell to *individuals* in companies. These individuals change. Their successors must be sold or you lose the company as a customer.

Take the case of a salesman for one of the country's largest anti-friction bearing companies, who called on the new superintendent of a steel rolling mill. The superintendent looked doubtfully at the salesman's card and said, "What does your company make?"

This was like being presented to the Pope and saying, "Pardon me, I didn't get the name." The salesman was astonished and showed it, but explained patiently. The superintendent said, "I never heard of your company."

"But we advertise all over," the salesman protested.

"Are you in there?" asked the superintendent, pointing to a trade paper lying on his desk. They were not. "Well, thanks for calling," he said, turning back to his work.

The buyer distrusts the unknown, and this applies not only to general consumer products—razor blades, automobiles, soap, soup and cigarettes—but to the products bought by industry as well. "I make it a

point to buy well-advertised products as a matter of self-protection," says the purchasing agent of one well-known manufacturing company. "If anything goes wrong, the factory is always ready to place the blame on an unknown product. Not so if it is advertised."

These are all obvious points—obvious to salesmen and to advertising men—but not so obvious to management, which always has a sneaking suspicion that a good product ought to sell itself.

Some sales and advertising departments will take an advertising cut lying down. Others fight. There is the true story of a manufacturing company in the Philadelphia area that sells a product used in the construction market. The advertising budget was \$25,000 a year. A new management decided to save that amount—"only for a time, of course."

But the sales and advertising departments, aided and abetted by the agency, got together and surveyed the customers sold during the previous two years. They produced evidence showing that a considerable portion of the business was directly traceable to advertising. The budget was not only reinstated, but increased. The company is now doing very well.

It is rarely that simple, of course. When word comes through that a decision to cut has been made, it is usually too late to do anything. The advertising management and the agency are regarded as biased witnesses. Actually, the time to prevent the curtailment is before it happens. Advertising still has to be sold to top management.

—ARTHUR H. DIX. *Printers' Ink*, 5/19/50, p. 31:4.

Watch Your Price Cuts!

A SALESMAN CAN SUE his company under the Robinson-Patman Act and get triple damages. There's been a recent award to that effect by the Chicago District Court.

The salesman worked on commission as a distributor of cosmetics. He sold both to chains and to independents.

The company cut prices to the chains, in part taking the reduction from his commissions, which were based on dollar volume. The salesman claimed damage on two counts:

1. The direct loss of commissions.
2. The discrimination in favor of the chains reduced his sales to independents.

The court agreed on both counts. In handing down the decision, the judge said that the Robinson-Patman Act is broad so that anybody who is hurt can bring suit.

—*The Sales Fare* (as digested in *National Sales Executives Digest*, Vol I, No. 6)

Air Freight — Infant Prodigy

IT MIGHT BE assumed that a callow newcomer to the venerable transportation industry would appear singularly inconsequential among the towering giants of the rails, highways and waterways. If gross tonnage were the only criterion, transportation's frisky adolescent, the air freight industry, would be a feeble member, indeed, of the nation's freight-handling fraternity. But by another standard—that of precipitous growth from absolute zero—the record that air freight has chalked up in five breathless years is by no means inconsequential. In fact, it has never before been matched in the history of commercial transportation.

In a brief half decade, air freight has shrunk shippers' wall maps as much as 90 per cent. It has brought East and West coasts within hours rather than days of each other, and the exotic wares of Hawaiian, Latin American and European market places within overnight haul to continental United States.

The shipments handled by American Airlines, whose top-ranking 32,000,000 ton-miles of freight comprised almost a quarter of the industry's 1949 volume, are typical of the amazing diversity of airborne cargo. American flies huge shipments of self-ripening Wisconsin cheeses from Chicago to Los Angeles and San Francisco (where, with 10 days added shelf life, merchants are selling 250 per cent more cheese than ever before); some 60,000 pounds of seafood a month from Boston to Chicago ("12 hours from fish net to display window"), some 206,000 pounds of New York newspapers a month for 8 a.m. newsstand sale in Chicago, Los Angeles and other western and mid-western cities.

Slick Airways, biggest of the nation's freight-only air carriers, flies 100,000 baby chicks a week (with remarkably low casualties), along with such heterogeneous cargoes as fresh flowers and sturgeon crab from California eastward; okra, onion plants and turkey poults from Texas northward; and live lobsters from Boston westward. Last year, United

Air Lines flew over seven tons of tropical fish and 28 tons of cotton samples from California eastward, some 18 tons of blood-worms from Maine to California, and thousands of pounds of advertising and printed matter. Capital Airlines frequently hauls bulk shipments of costly drugs overnight from New York to Chicago, where they are bottled during the day and air-freighted out again the same evening to minimize storage costs.

Air freight came into existence at a particularly opportune time. The half-decade during which air freight has set one new record after another has been a period of violently unsettled market conditions. Buyers of component parts for television sets, autos and appliances—to mention but a few industries beset by critical supply problems—have spent a large part of these five years belaboring suppliers for faster and faster parts deliveries.

Much of air freight's tonnage has consisted of shortage items. The auto and television industries, both driving hard to take advantage of backlogged demand, have been among the heaviest users of air freight.

The industry has long recognized that for continued growth it must de-emphasize the emergency value of its service and sell, instead, the economy of air shipments as a regular means of expediting freight movements.

Air freight's case is built on the argument that air shipment frequently offers operating economies that more than compensate for the higher rates.

The shipper can reduce his investment in inventory; be ahead of the market by offering the newest styles as soon as they are released, or the freshest fruits or vegetables, or flowers or fish or newspapers; increase his rate of turnover; reduce the amount of high-cost store space required for storage; eliminate guesswork in placing his orders; eliminate markdown sales and hidden costs involved in preparing merchandise for consumption.

Women's fashion wear, in which style

trends fluctuate widely from season to season, is air freight's principal year-round staple and it is not hard to see why.

Recently, a Chicago department store, in planning a major sale of current fashion sportswear, prepared and inserted newspaper advertising the night before the sale without having on hand more than samples of the merchandise. The same night, hours after the ads appeared, the merchandise left Dallas, Texas, by air freight. Arriving early the next morning, the shipment was trucked to the store before opening hours. By 11 a.m., it was sold out. Air freight not only eliminated the retailer's inventory altogether, it also enabled the store to offer a distinctly new style substantially ahead of the market. Since the clothing was shipped on hangers in zippered canvas bags (one of a variety of important handling economies devised for air freight shipment), the merchandise was rolled directly from the trucks to selling areas without the need of uncrating or pressing.

Since its inception, air freight traffic has been badly unbalanced with industrial shipments from the Northeast westward, and from the Northeast and North Central states southward substantially in excess of return shipments from the West and South. A 1948 survey by the Civil Aeronautics Administration disclosed that the Northeast was shipping almost 50 times more air freight than it was receiving, while Texas, Florida and the North-

west were receiving from two to six times as much air freight as shipped. Only the Central states with Chicago as the chief air freight hub enjoyed a close balance between incoming and outgoing shipments.

Although the airlines have been trying to correct this uneconomical load pattern by instituting "return haul" rate concessions and by seeking new sources of air freight in the deficiency areas, the unbalance still remains a serious problem and this is not the only problem that harasses the industry.

A peculiar feature of the industry is that, despite its remarkable growth, air freight is far from the most profitable enterprise in the world. Competition has depressed rates rapidly since 1945. The passenger-carrying lines now receive an average freight revenue of 15 to 20 cents a ton-mile, compared with about 70 cents a ton-mile for express; 60 cents a ton-mile for carrying passengers at regular fares; and 40 cents a ton-mile for flying coach passengers.

As a result air freight has never been a consistent moneymaker for the airlines. Despite this dampening fact, many air freight people believe that if the industry faces its problems squarely, and diligently seeks new long-term markets for airborne shipment, the industry can grow as swiftly in the next five years as it has in the past.

—Lewis A. Riley. *Commerce*, July, 1950, p. 16:6.

Window Testing

THE HEAD of a regional chain of drugstores used to employ a practical test of his advertising copy before running it. He had the full-page layout of an advertisement, with the copy typed in, displayed against a plate-glass window of one of his big-city stores. If the advertisement brought people in to buy—in what he regarded as satisfactory numbers—the ad was run in the newspapers. If it did not, he decided it lacked pull or was poorly timed, and it was not run.

Many advertisers, both local and national, might use the plate-glass window of some store on a well-traveled street to test their advertisements before spending thousands of dollars on their publication.

Frequently the casual comments of people who stopped to look at the ads would reveal their strengths or weaknesses. It might even be possible to catch these comments with a concealed microphone.

—*Management Briefs* (Rogers & Slade). No. 35

A Marketing Expert Looks At Public Relations

PUBLIC RELATIONS is lagging behind advertising and selling in the use of a scientific approach, according to a marketing specialist who has made a study of the public relations of 85 companies. He queried 39 firms producing or distributing consumer goods and services, 26 producers of industrial goods, 15 railroads and public utilities (including one air line), and five banks. The report of this survey is available without charge.*

The 85 public relations officers interviewed were in unanimous agreement on one point—that publicity was part of public relations. On all other points opinion varied widely. Greatest differences were found in the definition of public relations, which ranged from "proper policy formulation and its interpretation to the public" to "lobbying" or "whitewash measures to be taken when business is under fire."

Three out of five companies, the survey found, handled public relations in combination with other company functions such as advertising, industrial relations and personnel, or sales. Companies with separate public relations departments reported activities of considerable variety, one of them including the company's sales training program.

The public relations officers of about half the companies queried take an active part in determining company policy, but 25 per cent had no voice whatever. No banks were in this latter category.

As to accomplishments of the public relations program, 47 per cent of the companies surveyed cited increased sales (which had been given as one of the objectives of the program by more than half of them). However, only 42 per cent had made any effort to measure their program's effectiveness through public opinion or employee polls, clipping services, or other methods.

Asked to state possible benefits of their program to the community or to society in general, 29 public relations officers gave no reply. Some said simply that they had not thought about public relations as a service to society, others saw no reason to be concerned about social benefits. Still others were more concerned about the problem of selling their own managements more completely on public relations itself than about the larger social questions.

* *Public Relations in Business*, by Nugent Wedding. *Bulletin No. 71*, Bureau of Economic and Business Research, University of Illinois, Urbana, Ill.

SPECIAL MARKETING SEMINARS

A series of seven Marketing Workshop Seminars will be held at the Hotel Roosevelt in New York on Wednesday through Friday, November 8-10. Discussion topics are:

Organization and Administration of the Sales Department
Sales Forecasting

Selection and Training of Salesmen

Planning and Control of the Field Sales Force

Sales Compensation Methods

Sales Analysis and Control

The Marketing Research Department in Action

For program or further information, write Marketing Seminar Secretary, American Management Association, 330 West 42nd Street, New York 18, N. Y.

The Industrial Accountant in Labor Relations

**SAMUEL L. H. BURK, Director of Industrial Relations
Pittsburgh Plate Glass Company**

INDUSTRIAL ACCOUNTING is a specialty of recent vintage. Like most specialties, it has developed sub-specialists of its own—cost accountants, tax accountants and a host of other specialized accountants, who bring to the field specific and detailed knowledge impossible of concentration into one human cranium.

The existence of these specialties can be and has been of inestimable help to management in supplying the facts and data required for determination and definition of policy, and in providing certain services required to carry out policies and to operate the enterprise.

Of particular importance in the informational and service phase of the industrial accountant's job is his part in labor relations. The fact is that he should be a number of steps ahead of both the operating and industrial relations people in determining the need for and providing cost and other significant data in connection with union demands.

The labor union contract is a statement of the ground rules under which management and the union members are going to operate for the duration of the agreement. It is not something to be entered into without detailed consideration of all the elements on which agreement is to be reached. This consideration cannot be complete without reference to all of the relevant financial facts that only the accountant can supply.

Day-to-day administration of the labor agreement may well become more important than the making of the agreement itself. If administered in such a way as to eliminate all basic human considerations, relationships between the parties at

the negotiations will be strained at best. If administered without due consideration of the contract wording and the original intent of the parties, the ground rules will be so changed at the end of the contract term that the original contract will be hardly recognizable.

Prior to and during contract negotiations the industrial accountant can develop cost and benefit implications of the labor union contract that can be invaluable. While the operating line executive may be in a position to see all these implications and take them into consideration, he and the industrial relations executive should have the benefit of the industrial accountant's advice in determining possible issues that will arise prior to negotiation.

The accountant should have available for those responsible for making the contract all objective information practically procurable on the cost of past contractual provisions and practices. From this information he should try to predict the probable cost of any changes that may have to be made. He should also be able to point out which of the concessions requested will prove the most costly, and set up red flags on further extension of costly practices agreed to in the past.

The industrial accountant should make himself available for the preparation of statistical data in support of the counter arguments to be used by management. He should attempt to foresee the need for such data and, in consultation with the operating and industrial relations executives, see to it that they are prepared well in advance.

From an address before the 31st Annual International Cost Conference, National Association of Cost Accountants, New York City, June 21, 1950.

All information prepared by the industrial accountant in carrying out these pre-negotiation and negotiation activities should be presented in non-technical form, capable of presentation by non-accountants so that it can be understood by all participants in the collective bargaining sessions. All this means that a representative of the accounting department should be present, wherever possible, at the pre-negotiation planning conferences, and either present or readily available to the participants during the conferences.

In all conferences of management representatives the industrial accountant should not be backward in expounding his thoughts and ideas. In addition to his advisory functions and his duties in supplying information, he should examine all decisions made in such conferences with some appreciation of his control responsibilities.

On the other hand, in the actual negotiations with the union, he should act in an advisory capacity only. He should speak or answer questions only when directly asked to speak by the line executive representing the company. He should, however, pay close attention to the negotiation proceedings and re-assume his important advisory and control role at all caucuses of the management group.

The chief fault found by outside arbitrators, mediators, or observers on contract negotiation practices is that management has failed to present its story convincingly, factually, objectively and understandably. In many cases, it has been remarked that the union did a much better job of pre-conference preparation and presentation. It is the task of the industrial accountant to reduce the cause for such criticism as far as his function and the scope of his position permit.

His job in contract administration is more difficult to define. Generally speaking, he should understand thoroughly all monetary provisions of the contract and assume the responsibility for execution of these provisions accurately and on time. He should continually study provisions of

the contract that have a significant impact on cost, bringing them to the attention of the operating group with suggestions as to how that impact can be softened within the limits of the contract provisions.

Frequently there are contract provisions of which management can take advantage but which are frequently passed over. In some cases only the union is interested in strict enforcement of the contract, and generally this means only those provisions will be operative which increase rather than decrease costs. The contract should be studied by the industrial accountant to be sure that management is getting its full return from any advantageous clauses.

It might be well for an industrial accountant to sit in on meetings between the union-management grievance committee wherever possible. He should not be expected to take an active role in these meetings but rather attend in the capacity of observer, so that he may advise management after the meeting of contemplated settlements that may prove costly or of the satisfactory settlement possibilities having the lowest potential costs.

The hardest part of the accountant's job in labor relations lies not in doing his duty but rather in not waiting until he is asked to do it and in getting what he recommends accepted by the line and other staff departments without friction. In many or most instances, it is hardest to get along with people supposedly on your side when help or advice has to be given gratuitously to other "experts." The best way to sell is to demonstrate actual value, not to argue theoretical advantages.

The labor and industrial relations situation is such that today we must have the right kind of thinking by the right kind of people. There is no room for professional jealousies, petty internal politics or technical aloofness. While we must always respect the other fellow's skill and point of view, as well as his fighting ability in his own sector, no one on the side of free enterprise can afford to sulk in his tent while a crucial battle is being fought nearby.

The Auditor's Role in the Preparation of Annual Reports

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WHO GETS WHAT out of production? Because of widespread interest in this question, stockholders, management, members of labor unions, government agencies, consumers and other groups are beginning to scrutinize annual corporate reports. Although the existence of criticism is not necessarily proof of the presence of wrong, it does demand consideration, particularly insofar as it is justifiable. The public, now reading more and more financial reports, wants a standard which places more emphasis on uniformity, comparability, and understandability in the presentation of these reports than that condoned in the expression, "general acceptance."

Surveys of annual reports to stockholders have been made by various professional and private agencies. Reports based on these surveys recognize the need for better accounting terminology, for more precise definitions, and for the establishment of rules and procedures which will provide insurance against publication of annual reports from which misleading inferences can be drawn. These surveys, together with public comment, indicate that many people are doubtful whether corporate reports are telling the truth, the whole truth, and nothing but the truth.

Surely, then, the independent auditor's greatest role is to strengthen public confidence in corporate reporting. Fulfillment of this role depends on the cooperative efforts of independent auditors and those who prepare the annual reports to stockholders.

To estimate the extent of current cooperation, a detailed questionnaire was prepared and mailed to the comptrollers of a hundred industrial corporations. Seventy-two comptrollers completed the questionnaire; others wrote letters of explanation. The tabulated data which follow

present a summary of the answers to one section of the questionnaire:

1. Approximately how much time is spent each year in *active* planning and writing your annual report?

	Com- panies	% of Total*
2 months or less.....	32	45%
3 to 4 months.....	28	36
More than four months	5	7
No answer	7	10
Total	72	100

2. If a letter of opinion concerning your annual report were available from your auditors, would you include such a letter in your report to stockholders?

Yes	25	35%
No	31	43
No answer	16	22
Total	72	100

3. What is your preference in regard to the following suggestions concerning *any* annual report to stockholders?

Independent auditor's signature on all financial statements.

Prefer	21	29%
Do Not prefer	45	63
No preference	5	7
No answer	1	1
Total	72	100

Independent auditor's prior review of all financial data.

Prefer	46	64%
Do Not prefer	16	22
No preference	4	6
No answer	6	8
Total	72	100

* Rounded to the nearest whole number.

Excerpted from a study by the author entitled *The Role of the Independent Auditor's Report in the Industrial Corporation's Annual Report to its Stockholders*.

	Com- panies	% of Total*
Include a comprehensive auditor's report written in language comprehensible to representative stockholders.		

Prefer	14	19%
Do Not prefer	51	71
No preference	2	3
No answer	5	7
Total	72	100

Devote some space in the text of the report to a discussion of the value of the audit report to stockholders.

Prefer	5	7%
Do Not prefer	53	74
No preference	9	12
No answer	5	7
Total	72	100

4. Approximately what percentage of the narrative of your 1948 annual report do you estimate was written by management?

100 per cent of narrative	64	89%
50 to 90 per cent of narrative	3	4
No answer	5	7
Total	72	100

5. Who suggested the form for the financial statements used in your 1948 annual report?

Management	43	60%
Independent auditor	11	15
Both	16	22
No answer	2	3
Total	72	100

6. Who suggested the terminology for the financial statements used in your 1948 annual report?

	Com- panies	% of Total
Management	29	40%
Independent auditor	17	24
Both	24	33
No answer	2	3
Total	72	100

7. Who prepared the explanatory notes or comments referred to in the financial statements used in your 1948 annual report?

Management	18	25%
Independent auditor	34	47
Both	14	19
No answer	6	9
Total	72	100

Were those notes prepared by management approved by the independent auditors?

Yes	31	43%
No	2	3
No answer	39	54
Total	72	100

8. Were the financial statements published in your 1948 annual report prepared by the auditor?

Yes	30	42%
No	33	46
No answer	9	12
Total	72	100

9. Were those financial statements prepared by management approved by the auditor?

Yes	47	65%
No	4	6
No answer	21	29
Total	72	100

10. Was the auditor consulted concerning the text of your 1948 annual report?

Yes	48	67%
No	18	25
No answer	6	8
Total	72	100

* Rounded to the nearest whole number.

11. Was the auditor's approval of the text of your annual report requested?

	Com- panies	% of Total
Yes	31	43
No	31	43
No answer	10	14
Total	72	100

Comments in the letters of explanation and the answers to questions in other parts of the questionnaire indicate that innovations in financial reporting have introduced differences in terminology, form, and accounting principles. This is regrettable, for no matter how desirable such changes may be, their immediate effect is to promote lack of uniformity in financial reporting as a whole.

Stockholders' Meetings "Covered" for Absentees

STOCKHOLDERS who fail to attend annual meetings are being informed by management about what transpired as more and more corporations issue accounts of their yearly gatherings. A postwar development, these summaries promise to approach annual reports in usefulness as a tool in promoting better stockholder relations.

The 1950 crop of reports of proceedings range from leaflets to imposing booklets with numerous photographs taken at the meeting. Some companies give an account of the discussion following formal addresses, with stockholder questions and the answers of company executives. Corporate executives are by no means in favor of the practice, however. The head of one large corporation opposes it on the ground that the type of stockholders who ask most of the questions at meetings are not representative of the body of stockholders as a whole and any report of a meeting based on their activities is a distorted one.

Nevertheless, the 16-page report issued by General Electric gives considerable space to the comments and questions of stockholders. The book is amply illustrated. Westinghouse Electric sends out its report on the stockholders' meeting in its *Stockholders Quarterly*, an illustrated pamphlet, which also includes a review of the discussion period.

Walter J. Tuohy, president of the Chesapeake & Ohio Railway, incorporated some of his remarks at the meeting in a letter to stockholders which accompanied a dividend check.

Socony-Vacuum Oil Company sent stockholders an account of the speech of B. B. Jennings, president, at the meeting, and a letter invited them to write for a transcript of the proceedings. Last year a postcard was sent out which invited stockholders to send in for an account of the meeting. More than 20,000 requests were received by the company for copies.

—SHELLY PIERCE in *The Journal of Commerce* 7/13/50

AMA FINANCIAL MANAGEMENT CONFERENCE

A conference of financial executives will be held by the American Management Association on Thursday and Friday, November 30 and December 1, at the Waldorf-Astoria, New York City.

Pensions—A Public Issue

CERTAIN PRIMITIVE tribes have the quaint custom of pushing old people off cliffs when they get too infirm to carry their own weight. Any casual student of organized labor's industrial pension campaign during the last twelve months might have got the idea that this is also what American employers do with aged workers. As a matter of fact, however, the concept of industrial pensions was already well established in this country by 1920. About 200 companies had plans in effect.

The present situation is typical of what happens when a complicated matter like pensions becomes a heated public issue, subject to political treatment. In the famous Inland Steel Case, pensions were adjudged by the court to be an aspect of wages and therefore negotiable. Without prejudice to the logic of the court, whose business it was to interpret the law, it is unfortunate that there was any law on the statute books that permitted such interpretation. For pensions, of all matters of industrial relations, do not lend themselves to collective bargaining.

This is obvious in the fact that the Chrysler strike was not concerned with whether the Chrysler workers should receive pensions—to that the company had agreed—but entirely with details regarding the method by which the company would meet its obligations.

Similarly the steel strike last year was not about whether there should be pensions for steel workers but whether the pension plan should be contributory or non-contributory.

Certainly the facts did not justify the Board's statement that the trend was toward non-contributory pensions. The only time since the First World War when this was true was during the Second World War, when the non-contributory pension plans adopted were the indirect product of either government wage regu-

lation or the government's excess profits tax. Proof of this is that as soon as these two factors were eliminated, the trend toward contributory systems, clearly established before the war, was resumed.

There is no debate about industry's responsibility—or about industry's feeling of responsibility—for the care of retired workers. But it is eminently clear that this cannot be a responsibility of industry alone. Entirely aside from the merits of the case, it is financially impossible. As Peter Drucker has pointed out in "The Mirage of Pensions" (*Harper's*, February, 1950), it would require a prohibitive sum—from \$150 to \$200 billion—just to fund past-service liabilities for the nation's present workforce, to say nothing of the added amount necessary to meet current liabilities.

Nevertheless, there are certain arguments in favor of non-contributory industrial pensions. The bookkeeping is simpler; management can with justification insist upon unilateral administration of pension funds; all employees can be covered; vesting can be avoided.

But the realization is emerging—and this is what is bothering CIO leaders—that industrial pensions, particularly if non-contributory, are at best a faulty answer to the problem of old-age retirement. For this solution assigns the responsibility for supporting retired workers to institutions whose perpetuity cannot be guaranteed. And even in those companies whose future seems assured, industrial pensions impair the mobility of labor and penalize workers who lose pension rights by changing jobs. No industry-wide or area-wide solution to these difficulties is likely to be found.

So the sound and fury of the pension campaign, though not signifying nothing, turns out to signify something quite different from what its instigators foresaw.

Started 18 months ago as a substitute for the fourth-round wage drive—which was side tracked by fears of a depression that failed to materialize—it was promoted last year into a full-fledged panacea, only to deteriorate now into an uncertain supplement to Social Security. For what labor leaders have proved to themselves is that retirement coverage for all workers cannot be provided except perhaps through the government. And every industrial pension plan that permits private benefits to go down as Social Security goes up puts management support behind that of labor to have this problem transferred to Washington.

From the standpoint of public relations, the significant thing about this is that, despite its complications and delicacy, the matter has now moved into the realm of public and political determination. It is out of the hands of the lawyers and the actuaries and into the hands of the molders of public opinion. This was dramatically portrayed in last year's steel strike. It availed the Steel Corporation not at all to contend that its contract with the Steel Workers could not be opened on the subject of pensions. Whatever the validity of the argument, this was

purely a technical point. *Steel Labor*, the Union's tabloid, had already made the issue human.

But the Steel Workers, and other unions that promptly followed, were helped to win their case partly by the fact that—thanks also to public education—the concept of old-age pensions has been changed. Pensions are no longer viewed as a device to build company loyalty and decrease labor turnover (they never were very successful for this purpose). They are now generally looked upon as a social institution (1) to provide economic security on a national basis, (2) to divert more buying power to the hands of the consumer in order to support the purchasing power theory of prosperity, and (3) to help carry the burden of an increasing percentage of older people in the population.

In brief, pensions have now been identified as "welfare," and a very short step remains to the socialization of this phase of American life. That is to say, we are again making a "tribal" approach to the disposition of the aged. It is to be hoped that this will not provide a new kind of cliff from which people will fall to their destruction.

—MARTIN DODGE. *The Public Relations Journal*, May, 1950, p. 3:3.

MORE THAN 22,500 men, women, and children insured under ordinary and industrial policies died during 1949 before expiration of the first year of insurance protection. Payments on these first-year deaths amounted to almost \$21,000,000, *The Weekly Underwriter* estimates on the basis of reports received from companies having 85 per cent of legal reserve life insurance in force in the United States.

—*The Weekly Underwriter* 5/13/50

AMA FALL INSURANCE CONFERENCE

The Fall Insurance Conference of the American Management Association will be held on Thursday and Friday, November 16-17, at the Hotel Drake, Chicago.

Fire Insurance Values and Appraisals

A BAD FIRE is an expensive way to discover the importance of insurable values. To be sure of adequate coverage, it is good practice to develop proper values, revise them at least annually, and make a new appraisal about every five years. Actual cash value at the time of loss is the measure of insurable value.

Value always depends upon the conditions which surround the transaction. In the sale of a business, value is largely a matter of the condition of the market and earnings. Value for income tax purposes is governed by the conditions of the law and the regulations. In fire insurance, the conditions are those of the contract.

An insurance policy is a contract to indemnify. The property itself is not insured—the loss is. The measure is the amount which makes the loss good—no more, no less. That is the actual cash value for fire insurance purposes. For property losses—building and equipment—the actual cash value, sometimes called sound value, is the amount equal to Cost to Replace New, Less Depreciation, at the time of loss.

The cost to replace each item at today's prices for material and labor is obtained by (1) appraisal, (2) trending an old appraisal to date, or (3) adjusting book costs. The dangers of this last method are great.

Many companies overlook the fact that construction costs have a bearing on fire losses. A one-story factory building which cost \$3 per square foot to build in 1939 would have cost \$4 in 1942, \$5 in 1946, and between \$6 and \$7 per square foot in 1948.

For business property which is not obsolete the accepted formula for insurable value is Replacement Cost Less Physical Depreciation. Such depreciation is properly determined by methods of inspection; the result being called observed depreciation. No rule of thumb can be used. Some units of property wear with use, not all. Some things never deteriorate much. Others deteriorate with time—but not necessarily in proportion to age. You

can't use an office method such as a life-table or the book reserves to get physical depreciation. You have to inspect. And physical depreciation alone is not sufficient in some instances. Where obsolescence has set in, the cash value is depressed even more.

Some firms still use their book figures for insurable values, despite all warnings, and bring upon themselves much adjustment grief. Book figures for prewar property bear no resemblance to the cost of replacement today. And as for plants built during the war, the excesses paid then—still on the books—cannot now be included. Cash value is the figure current at the time of loss.

Nor do all appraisals give insurable values. The appraisal must set forth *fire insurance values*. If prepared for income tax purposes, the figures may be past cost or market value. If for purchase or sale, the totals may be derived from earnings. These are not insurable values.

Whether the recovery from a loss is the total of actual cash value or only a part of such amount depends upon clauses usually attached to the policy to limit liability. Some of these clauses are:

The Coinsurance Clause (Contribution or Reduced Rate Contribution Clause). The insured agrees to carry the amount of his insurance up to some percentage—80, 90 or 100 per cent of the total insurable value. Failing to do so, the insured to the extent of the deficit bears his proportion of any loss. In other words, the recovery is proportionately reduced.

The Average Clause (Reduced Rate Average) does not obligate the insured to carry insurance in any amount or per cent. Yet it similarly limits recovery under the policy to a ratable proportion of a specified percentage of the insurable value of the property.

The Distribution Clause distributes the coverage to each building or unit in the proportion that the value of such building or unit bears to the aggregate value of all buildings and units insured under the policy.

All these clauses affect the recovery in proportion to insurable values.

Those who neglect values may think

they are covered up to the face of their policy. Yet the courts have held time and again that the amount of a policy is not evidence of either loss or value. It is especially important, therefore, to have support for value figures when dealing with obsolete property in view of coin-surance factor.

Sometimes an old building cannot be replaced in kind because of today's building code. Furthermore, should fire destroy more than a prescribed per cent of this building, the law may require the balance to be demolished. Two coverages may be considered: (1) To cover that part of the loss due to fire, insurance is usually carried at the existing value of the old building, even though the replacement cost of a new type of structure would be higher; (2) to cover that part of the loss occasioned by the required demolition, additional insurance may also be obtained by special arrangement.

Most policies require as a duty that after a loss the insured "...without unnecessary delay make a complete inventory, stating as far as possible the quantity and cost of each article and the amount claimed thereon." And in the proof of loss, to set forth "...the cash value of the different articles or properties and the amount of loss thereon..." Anyone who has tried to make up such a list from scratch after a fire realizes the hopelessness of the job.

So in setting schedules, by appraisal

—From *Fire Insurance Values and Appraisals*. Ford, Bacon & Davis, 30 Broadway, New York 6, N. Y. 1950. 11 pages.

or otherwise, all items to be insured are included, regardless of how the books of account are kept, whether written off or not, whether expensed or capitalized. Small hand tools, dies, fixtures and the like may be grouped by classes, where the amounts are small, the items similar and the conditions of depreciation can be properly treated. Non-insurables, of course, are omitted.

The annual revision of replacement costs is usually done by trending. Obviously this must be carefully handled, else the answers will be out of line. In the first place, all major plant items are best treated individually, rather than by group. It is safer. In the second place, to get good answers, you have to prepare special indices to go with the particular figures being trended.

Most fires can be put out if got at promptly with the right equipment. And most plants have such equipment. Yet many are lax in housekeeping. Inspections can be scheduled, and ways planned for early discovery and reporting. Equipment and extinguishers can be kept in top shape, hydrants open and clear, water pressure up, dry pipes tight, sprinklers checked for stoppage and freezing, fire doors working. Large quantities of inflammable materials need not be stored in buildings with large open areas. It pays, when making the appraisal, to have these risks checked.

Stock for Pension Participants

STANDARD OIL of Indiana has started a thrift plan whereby company stock is made available free to employees who contribute to the pension plan. Two to 4 per cent of earnings may be deposited in the Thrift Fund to be used to buy U. S. Savings Bonds.

After an employee has made deposits for a year, he will be given one share of stock for each "bonus unit" which has been credited to his savings bond account. Stocks are received at the end of each year. A "bonus unit" for any year is one and a half times the book value of a share of stock at the end of the preceding year.

With this plan, even if the market price of stock should fall, employees will not lose money they have deposited, and because the stock is given free, the company is not subject to SEC regulations for stock purchase plans.

—For Your Information (Edwin Shields Hewitt and Associates), June-July, 1950

Survey of Books for Executives

MAKING CAPITALISM WORK. By Dexter M. Keezer *et al.* McGraw-Hill Book Company, Inc., New York, 1950. 316 pages. \$3.50.

*Reviewed by Harry A. Bullis**

Making Capitalism Work is a valuable book for American management. It presents lines of action for the guidance of those who have the major responsibility for the management of business enterprises within the American economy. It tells them how they can make valuable contributions in the management of the greatest business on earth—the United States Government. It emphasizes that to keep our economy healthy, its capitalistic base must be kept strong.

On the whole, men of management have piloted their craft efficiently. They have built enterprises which have outproduced every nation of the world. The magic ingredient is capital, wisely used and placed at the disposal of labor under efficient management.

Dexter Keezer and his associates show that capitalism is the best way of life for Americans and that our people—with capitalism—can have a prosperous future, provided:

1. Our government and the capital-using system are not sunk by a back-breaking load of government expenditures piled on too quickly; and
2. The country is adequately equipped with tools (capital) and incentives are afforded to management to use these tools for production so as to attain our domestic objective of full employment.

In *Making Capitalism Work* the premise is accepted that those who promote, defend, and expand American capitalism do so "to promote the general welfare and insure domestic tranquility" just as much now as in 1789, when the founding fathers used those words and placed their faith in a capitalistic system under our benign Constitution.

The book offers economic blueprints to show how capitalism can provide for social welfare if it is not burdened excessively.

Increases in productivity depend upon plowing the furrow before we can expect to reap the harvest. Progress in labor relations over the past five years is leading to better coordination, with gains in productivity and real wages. Increased welfare of the people can be one of the fruits of greater productivity.

To achieve these results, Keezer and his associates would unburden venture capital of misplaced taxation so that industry's supply of tools may be expanded. Expansion of the tool

supply is shown to be the central and major quantitative problem. Steady investment in tools by American industry is a strategic outlay. Leading government planners who have a major interest in maintaining employment at a high level admit that capital outlays by business outweigh public works expenditures seven to one. Therefore, public works cannot be expanded sufficiently to offset the declines in business capital outlays which threaten if incentives and assured gains in productivity are nullified by excessive government costs.

The book points the way we must travel to realize the twin objectives of maintaining efficient production and assuring the worker opportunity to labor steadily for his own profit. Dynamic in its analysis and proposed methods, this book should prove valuable for both the business man and the government servant.

Keezer and his associates tell us that while capitalism is important in relation to economics and the material things of life, it is even more important in maintaining freedom and human dignity. Therefore, safeguarding the future of the capitalistic system is the most important business in the world today.

ECONOMICS OF LABOR AND INDUSTRIAL RELATIONS. By Gordon F. Bloom and Herbert R. Northrup. The Blakiston Company, Philadelphia, 1950. 749 pages. \$5.00.

*Reviewed by W. Ellison Chalmers**

This is a textbook on labor problems designed for a college course in an economics department. Business executives can find in its many pages a summary presentation of current academic thinking on a wide variety of problems, ranging from highly abstract economic theories of wages, prices and employment to the collective bargaining and public policy implications of Taft-Hartley.

For the college course, it is one of several recent texts that are seeking to fill the huge gap left in the literature by outdated prewar texts. This text has several advantages. It is up to date in terms of data, in its use of concepts, and in its analysis of current problems. It places an emphasis on unionism as a basic development most in need of analysis and understanding. It has abandoned the approach of assembling an enormous mass of detailed material in order to concentrate on basic problems.

* Chairman of the Board, General Mills, Inc.

* Director, Institute of Labor & Industrial Relations, University of Illinois.

The authors of these newer texts have been faced with serious difficulties. The first of these arises from the inadequacy of our knowledge in this field. For example, this text, like the others, recognizes in an introductory chapter that labor problems cannot be understood if the analysis is strictly economic, because they develop and change in a complex of psychological, political, and social forces as well. Yet we are far from an inclusive theoretical formulation of industrial relations. Thus the body of the text is largely confined to economic considerations.

The second great problem of textbook writers in this area lies in the treatment of general economic principles. Some recent texts have gone far toward the extreme of complete omission of theoretical economic analysis, or have given such a perfunctory and confused summarization as to be useless to the student. Bloom and Northrup have gone far in the other direction. They devote nearly half the volume to an attempt to develop theoretical analyses of wages, employment, business cycles, technological and other problems.

Perhaps inevitably, three difficulties ensue: (1) The analysis becomes too abstract to be very meaningful for specific problems. For example, the authors conclude at one point, "... even if employers all pay their employees wages equal to their marginal revenue products, a general rise in wage rates, under certain circumstances, may still not produce displacement of labor because of the effect the wage increase may have on the price of machinery, the rate of interest, and effective demand." (2) As the same quotation suggests, the theoretical analysis may be so unrealistic and so static that it is of little help in understanding the dynamics of the economy. (3) This kind of analysis is extremely difficult to integrate with the practical problems of management and unions, as indicated by the extreme separation between the theoretical chapters written by one author and the essentially descriptive treatment of the other.

The third major difficulty faced by college textbook writers in this field concerns the adequacy of their treatment of the totality of labor-management relationships. This text, like most others on this subject, gives only cursory treatment of the total scope of the industrial relations policy problems of management. Presumably, the authors are assuming the treatment of this subject in other college courses. College curricula have not solved this problem, however, and for many college students the only course in industrial relations included in their programs is the one for which this text was designed. But a second hazard results from this omission. The student is not provided with an analysis that aids him to see "industrial relations" from the approach of the total function and processes of management. Perhaps related to this weakness are the limitations of this text (and of other recent texts as well) in treating the prob-

lems of the individual worker in the economy. This book does correct earlier serious discrepancies in developing at length the role of the unions in the shaping of industrial relations and public policy. But it is suggested that such treatment as is given the total subject needs to be put in focus.

HOW TO PLAN PENSIONS. By Carroll W. Boyce. McGraw-Hill Book Co., Inc., New York, 1950. 479 pages. \$5.00.

*Reviewed by A. D. Marshall**

With pensions the center of much business and industrial activity, this timely and well-coordinated guidebook gives business and industry a concise and simplified explanation of many pension problems.

The author modestly states that the book is not intended to provide the actuarial, financial or legal information required by technicians in specialized fields of pension planning and administration. However, it does present a wealth of background information for the man who decides pension policy; for the pension negotiator; for the man who sits on a pension committee; and for other persons, including the public at large, whose knowledge or lack of knowledge of pensions will play so great a part in determining future pension policy.

While many of the current books about pension problems are the work of experts in various fields, they do not reflect the viewpoints of those having actual experience in administering pension plans. Mr. Boyce has overcome this hurdle. He has familiarized himself with the practical problems of administering pension plans so as to be able to express the viewpoint of the administrator who must consider day-to-day human relations as well as the technical, legal, financial and actuarial difficulties of a pension program.

Mr. Boyce at one point seems to have been carried away. His statement that most unions are demanding "maximum" pensions for 25-year employees at normal retirement should obviously read "minimum" pensions. At another juncture he fails to point out that, because of a vesting feature, the cost of a contributory plan may be lower than anticipated where younger employees draw out their own money rather than wait for a pension. He also neglects to mention the danger of using the earnings of an older worker on a piecework job as a general criterion of his efficiency. (There may be such a high percentage of older workers in the group that the piece rates are set so they can "make out").

In connection with unemployment insurance benefits, Mr. Boyce suggests that the contract may be so drawn that the employee, upon

* Assistant Secretary, General Electric Company.

being pensioned, will be unable to say he is no longer gainfully employed. It is regrettable that this clause was not shown.

On the other hand, the book is well balanced. It follows a logical presentation which includes data progressing from background material through the cost factors involved, the necessary elements of any plan, tax questions, arbitration, administration of a plan, the role of Social Security, the human aspect, and the impact of the pension movement.

Summaries of recently negotiated plans, digests of the findings of the President's fact-finding board in steel, examples of typical pension plans, and numerous actuarial tables which are found in the appendices add to the current usefulness of the book. Check lists at the ends of chapters show the negotiator what pitfalls he may expect to encounter and how to avoid them. Samples of typical clauses for inclusion in a plan are also found at the end of these same chapters and serve as graphic examples of the text. The glossary of pension terms in the appendix is of particular interest to pension-minded business men and industrialists.

To date, little emphasis has been put on the human side of the retirement problem, but Mr. Boyce has given this careful treatment.

How to Plan Pensions may be written down as an authoritative guide for labor, management, negotiators, arbitrators, and many others. It is a worthwhile addition to any pension library.

FROM THE WAGNER ACT TO TAFT-HARTLEY.
By Harry A. Millis and Emily Clark Brown.
The University of Chicago Press, Chicago.
1950. 724 pages. \$8.50.

*Reviewed by J. George Piccoli**

Every law or regulation affecting labor-management relations, state or national, that is on the books represents a failure in the conduct of genuine collective bargaining. And from the number of laws our legislators have written there are apparently plenty of failures. In fact, "genuine collective bargaining" is a euphemism practiced nowhere outside of Samuel Butler's utopia "Erewhon" (and there is no mention of it even in that perfect land that we can recall).

Because we are human and have human differences of opinion, there must be laws to control the violent settlements or arguments. This is especially true of management-labor relations as practiced in a democracy. We are thus faced with four propositions on the conduct of company-union affairs. First, management could have discretionary powers to adjust its relationship with its workers as it sees fit.

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But Mr. Truman, and certainly Mr. Humphries of Minnesota, would take a dim view of this "out." Secondly, we could allow labor to impose unilaterally on employers the conditions under which employees work. There are those who think we have almost reached this state as it is; but we must rule against this solution to save the digestive system of Mr. Taft, to say nothing of the peptic ulcer of this reviewer. Thirdly, we could give the ball to government and permit it to run the show by decree. Finally—and this is the course we have selected—we could allow management and labor to resolve their differences within the framework of laws that safeguard the basic rights and interests of the company, the employee, and the public. And it is about these laws and the national labor policy from the date of the passage of the Wagner Act to the enactment of Taft-Hartley that the late Harry A. Millis and Emily Clark Brown have chosen to write.

Objective analysis is difficult if one has any positive views on the subject. Mr. Millis and Miss Brown obviously have positive views. So has this reviewer, and they are not the same. Therefore an objective review of their book is not altogether possible because the book itself is not completely an objective analysis. The authors are both former officials of the NLRB in its pre-Taft-Hartley days. In their book there is a strong undercurrent of resentment against the present Labor-Management Relations Act. But it is never put in so many words. Actually the material is presented ably, documented competently, and, from the point of view of research, a splendid job has been done. No facts are glossed over to make a case, and the weaknesses of the Wagner Act are clearly indicated.

But there is resentment of Taft-Hartley, and it shows like a low-hanging slip on a Powers' model. For example, time after time the book refers to the intended "equalizing" effect of the Act. And when Mr. Millis and Miss Brown say "equalizer," they use the term in much the same way that the deceased Legs Diamond mentioned his pistol. They do not mind so much that the Act is a pistol; what they are afraid of is that "the darn thing might be loaded."

Here is a specific instance of the intrusion of the authors' anti-Taft-Hartley views: The Taft-Hartley Law removes some of the discretionary powers of the National Labor Relations Board, particularly in regard to the run-off election, the challenged ballot, unit determination, and the like. The authors believe this limits the NLRB and forces it to operate within a policy entirely too rigid. Under the Wagner Act, it will be recalled, if an election was held that resulted in a "no union" vote the NLRB had the power to allow another election within the same year should another organizational drive occur. The authors think this good; the reviewer disagrees. Perhaps if the Board had been a little more discreet in exercising its

discretionary powers when it had them, Congress would not have stripped them away.

But, as has been said, it is differences of opinion that make horse racing. We are convinced that Taft-Hartley, while not perfect, is a pretty good piece of legislation, certainly much fairer to all concerned than was its predecessor. In fact we hold that, had it been enacted in 1935, labor, far from crying it down as a return to slavery, would have held it as the working man's Magna Charta. But then, everything is relative.

On the plus side, we can say this of the book: It is thorough and intelligent. The facts are all there, and presented fairly, at least for the most part. Considering the complexity of the subject, the authors have achieved something of a triumph, for their prose is easy to read and yet there has been no over-simplification of problems for the benefit of the layman.

For a discussion, and a complete one, of the history of government and labor-management relations for the past decade and one-half this book is valuable. Though we would not send it to Westbrook Pegler for a Christmas present, we think executives who deal in industrial relations or personnel affairs will find it useful as a source of reference, provided they keep in mind the background of the authors.

THE HANDBOOK OF ADVANCED TIME-MOTION STUDY. By L. A. Sylvester. *A Modern Industry Book.* Funk and Wagnalls Company, New York, 1950. 273 pages. \$5.00.

*Reviewed by M. E. Mundel**

Mr. Sylvester has elaborated on a theory "advanced" by himself in 1921. This theory reputedly reduces time study judgment to a minimum. The author follows a preliminary statement with an examination of miscellaneous data relating to human work that places particular emphasis upon statistical manipulations. This whole discussion of the nature of work and of what constitutes "a fair day's work" is summarized in his conclusion (on page 65), as follows:

"Since a fair day's work is objectively the typical quantity of work performed by adequately motivated people who are of a known and qualified grade, the problem of determining production standards resolves itself into the prediction of the quantity of production that will occur most frequently (made of the frequency distribution) when the given group of qualified employees work normally with adequate motivation, under controlled working conditions."

Following this, the author examines data on the theory and nature of individual differences and finds, among other miscellaneous observations that (on page 89): "With the time rec-

ords based on a careful selection of observees and taken under circumstances that have not modified or disturbed the naturalness of events the difference between observed modes and true modes will be small and infrequent.

Such thinking, supported by additional statistical larding, permits the author to arrive at the following summary of his theory (page 124):

"In common with all measurements and all statistical predictions the time values derived from time-motion study . . . (depend for their accuracy on):

1. The variability of the human element.
2. The variability of conditions.
3. Maintenance of the state of control on which the prediction was based.

In short, the reviewer feels that the author is advancing the following theory: typical measures of a situation will be typical of that situation so long as it remains that situation. While the validity of such a statement is not to be questioned, its value certainly is.

On page 138 the theory is more visibly stated when the suggestion is made, in essence, that the time engineer—as Mr. Sylvester calls him—is instructed to choose the worker who will give him a time value which needs no adjusting; hence, any form of rating may be avoided because such performance is *per se* "a fair day's work."

On pages 203 to 207 we find a further discussion of the utility of the model time from the correct performer—with a suggestion that these are exact laws, "but subject to the errors of our analysis, measurement and compilation."

Naturally, the book contains much that is true and worthwhile, such as adequate recognition of the need for enlisting the cooperation and understanding of the foreman, union steward, and worker in such activity; or remarks, such as that (on page 260): "The first and foremost responsibility is the improvement and development of better, cheaper, and more humane methods and working conditions."

In summary, the reviewer regards this work as a tautological *tour de force* and suggests it be given commensurate consideration.

MENTAL TESTING: ITS HISTORY, PRINCIPLES, AND APPLICATIONS. By Florence L. Goodenough. Rinehart and Company, Inc., New York, 1949. 609 pages. \$5.00.

*Reviewed by John C. Flanagan**

Dr. Florence Goodenough's *Mental Testing* differs in a number of ways from most of the recently published books in this field. As the subtitle implies, it places an emphasis on history, principles, and applications to social problems which is somewhat unique. It represents an attempt to indicate not only the present

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status of the field of mental testing, but the lines of development which got us there and the principal theoretical issue on which there is still controversy and need for further research.

In the preface, the author states: "This book is planned to serve the needs of several groups. Many years of experience, both in training students for psychometric and clinical practice and in working with schools, social agencies, and other organizations which endeavor to make use of tests in the practical handling of individuals, have convinced me that a basic defect in the scientific background of a large number of the persons at present engaged in testing is their lack of understanding of the theoretical principles underlying the procedures which they employ. I have accordingly tried to indicate the nature of these principles as they apply to the actual testing of individuals, and in doing so have employed, as far as possible, simple and nontechnical language."

Dr. Goodenough goes on to state that the book is intended as an orientation text for students and for professional workers who make use of the results of tests which they do not themselves administer.

The book is divided into four parts. *Part I, Historical Orientation*, provides an excellent account of the development of mental tests, with special reference to early 19th century developments, the work of Binet, and the various revisions of the Binet-Simon Tests.

Typical of the material in this part is a summary of one of the last studies of Alfred Binet (1911) regarding the ability of teachers to judge the intelligence of their pupils and the kind of evidence they employ in making their judgments. Each of three teachers spent an afternoon with five children whom she had not previously known, for the purpose of appraising the children's intelligence. The teacher spent this time asking the children numerous questions which were not always the same for different children and the results of which were not systematically tabulated. It was noted that even the interpretation of the teacher to what appeared to be identical answers varied with the teacher's preconceived judgment regarding the brightness of the child.

The study provides an excellent demonstration of the many sources of error in the use of informal methods of appraising intelligence.

Part II, Principles and Methods, opens with a chapter on the bearing of test theory on test interpretation. This contains much wisdom based on the author's extensive experience in the testing field. The remainder of *Part II* is devoted to brief discussions of sampling problems in selecting test content, the selection of test items, units of measurement, age standards and quotients, and brief developments of the definitions and interpretations of the numerous basic statistical concepts essential to the proper use and interpretation of test results.

Fairly typical of the material of this part

is the thorough treatment of the Heines Personal Constant. Many texts have merely mentioned this procedure for interpreting mental test scores, but Dr. Goodenough has given us five pages describing the development of the procedure and summarizing various attempts to evaluate the Heines scale and compare it with the intelligence quotient.

Part III, Tests and Scales, contains several chapters concerning intelligence tests, educational tests, measures of special talents, measures of motor development, measures of interest and attitudes, and measures of personality. While these discussions are general in nature, they are especially oriented around the needs and problems of the clinical psychologist.

An example of the type of material included in this part is the description of the studies of social participation and leadership conducted by Mildred Parten in 1932. These studies utilized the time-sampling method. Each of a group of nursery school children was observed for one minute during a one-hour play period for a series of days. At the end of the minute, the child's behavior was classified with respect to social participation in one of the following six categories: (1) solitary, with no observable occupation; (2) solitary play; (3) onlooker; (4) independent play in a physical group; (5) group play without a common goal; and (6) cooperative group playing. The scores from these observations were found to have a substantial correlation with teachers' judgments regarding social participation.

Part IV, Applications, discusses special problems of testing in schools and colleges, in clinical practice, in industry, in social welfare agencies, and in the armed forces. These discussions point up the objectives and special problems involved in testing in these various types of situations.

An interesting discussion is given of the use of mental tests in studying and following up bright children. Some of the main contributions of Professor Lewis Terman and his associates on this problem are reported. The gifted children studied were found to be healthy, normal in personality, and slightly above average in size and strength. More than 70 per cent of the males in the high-IQ group followed up were found to be in the learned professions or in semi-professional or higher business occupations. Their incomes were approximately 75 per cent higher than the average earned by employed persons of the same age.

Dr. Goodenough concludes that the bright children apparently all had the capacity for outstanding achievement. That some of them have not achieved eminence is probably due to deficiencies in social adjustment and drive to achieve. On the other hand, Dr. Goodenough points out that there is no dependable record of an individual who had not at least average intellectual ability attaining first rank in any field of importance for human progress.

In this reviewer's opinion, this book is well designed to meet the purposes of the author as stated above. It emphasizes the testing of individuals rather than groups, though the latter field is not ignored. It stresses basic theory and fundamental principles rather than descriptions of currently available tests. It should be of real value to both beginners in the field and to professional workers who wish to attain a more thorough understanding of the problems of mental testing.

LABOR DICTIONARY. By Paul Hubert Casselman. Philosophical Library, 15 East 40th Street, New York, 1949. 554 pages. \$7.50.

*Reviewed by William Exton, Jr.**

Professor Casselman has conscientiously compiled a useful reference book of terms associated in one way or another with labor. By his own account, there are 2,461 entries including 447 cross-references, though many to all intents and purposes are duplications. There are 1,652 definitions, 27 biographies, 107 labor agencies or bodies, 192 abbreviations, and 36 "other entries."

The author states that the volume has been prepared "mainly for American and Canadian users. Although a number of references have been made to various phases of the British labor movement, these entries have been kept to a minimum."

A bibliography of 13 pages is appended, with listings under 22 headings, from "Capitalism" and "Collective Bargaining and Collective Agreements" to "Time Study and Methods Analysis" and "Wages and Wage Systems." The author refers, in his foreword, to the need of his own students as a motivating force, and says that he "had to prepare these definitions by summarizing paragraphs and sometimes whole chapters before getting the true meaning of a term."

Referring to the conflicting views commonly found in the labor arena, the author states that he "has attempted to retain a neutral position, by standing above the field of conflict and by taking society's point of view. . . . The treatment of each subject is basically factual."

An examination of the work leaves little doubt that its greatest value will be to students and others requiring elucidation of a great many terms familiar to most people in industry. However, in view of the lack of comparable works of reference, Professor Casselman's volume may prove useful in some degree to almost everyone in the field.

The author lists a number of important occupational diseases, such as anthrax, asbestosis, oil pimples, silicosis, and the like. He offers brief biographies of such figures as Debs,

Gompers, Green, Lewis, and Murray; Marx, Engels, Lenin, Trotsky, Stalin; Attlee, Cripps, Keynes; Pope Leo XIII.

He provides thumbnail outlines of such philosophies as Anarchism, the Antagonist Movement, Nihilism, and Technocracy—not to mention a number of theories, such as the Wages-Fund Theory of John Stuart Mill. There are brief summaries of such systems as those of Taylor, Gantt, and Bedaux, and suggestions of the significance in labor history of such events as the Herrin and Ludlow massacres, the Pullman and Homestead strikes, etc.

He tells us the meanings of "bohunk," "hunky," "dago," "ginny," "wop," etc., as well as "straw-boss," "stool-pigeon," "scab," "goon," "rat," "labor skate," "salary wind-bag," and "slave-driver"—the last having two straight-faced definitions.

To many, the most valuable aspect of the compilation will be the key to the significance of many abbreviations, including such initials as I. U. of J. H. S. of U. S. & C. (International Union of Journeyman Horseshoers of U. S. and Canada (AFL)); and H. & R. E. I. A. & B. I. L. of A. (Hotel and Restaurant Employees' International Alliance and Bartenders International League of America (AFL)). There are almost 200 such identifications.

In addition, there are definitions of many terms used in personnel administration—in testing, selection, wage administration, motion study, group insurance, workmen's compensation and the like; also terms employed in labor disputes and collective bargaining, including many colloquialisms. There are also brief accounts of important statutes, such as the Taft-Hartley Act and many another less well known; and of documents such as the encyclical *Quadragesimo Anno* of Pope Pius XI. The author offers definitions of such terms as *bourgeois*, *peasant*, *kulak*, *bolshevism*, *capitalistic system* and *class struggle*. Also included are definitions of a number of unusual terms—*oligopsony*, *edcanny*—which are seldom if ever encountered nowadays in the United States but which perhaps belong in a reference work. Less justifiable is the inclusion of *roughneck* as "a casual term for an oil driller or other person who assists in oil drilling work," when *roustabout* is not listed or defined.

The basically academic orientation of the Professor is more strongly revealed when he tackles such abstractions as "acquisitive instinct": ". . . One of the most important problems of modern society is to hold in check the acquisitive instinct of the various groups in order to prevent excesses and conflicts." He also speaks in a somewhat doctrinaire fashion of various "stages"—"agricultural," "hunting and fishing," "pastoral," "putting-out system," etc.—as having an inevitable sequence. He refers to the "area of workmen's homes" as follows: ". . . In this area are likewise found grocery stores, bakeries, drug stores, shoe repair shops, notion stores and taverns. . . ."

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Many of us have forgotten, if we ever knew, that "Engels' Law . . ." states that as workers obtain higher income they spend smaller proportions of income for necessities and larger proportions for luxuries. Factual surveys of working-class expenditures confirm even today the general accuracy of Engels' Law." How many of us realize that the "Internationale: A revolutionary song adopted by Socialists of France . . ." was "written by Eugene Poitier in 1871 and the music by Adolphe Degeyter"? There are a number of such nuggets in this book.

A few definitions appear to be mutually inconsistent. For example, "able-bodied labor" is "that part of the population which has the strength, health and stamina to undertake physical work usually associated with primary industries such as forestry, agriculture, mining, fishing and others"; but "able-bodied unemployed" is "I. A person who is without employment but who is able to work. II. The whole class of persons who are without employment but who are able to work. The able-bodied unemployed exclude the unemployables, or that part of the total unemployed which is not capable of working." According to these definitions, one might be one of the "able-bodied unemployed" but not "able-bodied labor." Also, in his definition of the back-to-work movement as "a movement usually launched by anti-labor interests," the lexicographer is ignoring the rank-and-file character of many such movements. There are other definitions that are open to some question.

On the whole, however—and especially considering the lack of comparable compilations—the *Labor Dictionary* is a useful volume. While it must not be regarded as authoritative, it can be a substantial time-saver and a handy reference work.

OFFICE ORGANISATION AND METHOD. By Geoffrey Mills and Oliver Standingford. Sir Isaac Pitman and Sons, Ltd., London, 1949. 326 pages. 18s.

Reviewed by Robert E. Shull*

It is always difficult to treat a subject as fluid as office management within the confines of a book. This difficulty is made more obvious than usual by the first illustration chosen by the two English authors of *Office Organisation and Method*. The exhibit, appropriately, represents the office's most-used piece of equipment—the typewriter. Most Americans, however, will be reminded of prewar models; and some readers may react as did this reviewer and check the publication date before reading further. Despite the anachronism, the book is a worthwhile addition to the literature in this field.

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It is written and organized as a text, and from the student's viewpoint it should do an admirable job. The material is presented clearly and leads in easy steps from theory to the actual methods employed. Using this volume as a reference the student should have no trouble orienting himself in an office. It is doubtful whether many schools in the United States will select it as a text; many, however, will want to add it to their reference libraries. Instructors will find excellent source material here for organizing office management courses. It will not supply the office executive with many of the specific answers he requires, but it could serve him as a check list. The methods analyst may find it useful as an occasional refresher in fundamentals.

The introductory chapter orients the reader and attempts to foster the proper attitude toward the place of office management in the general management sphere. The authors employ the definition: "Office management is the art of guiding the personnel of the office in the use of means appropriate to its environment in order to achieve its specified purpose." The next 26 chapters are conveniently divided into six parts: The first four parts are concise, direct, and well-organized but present merely elementary classifications of office equipment, services, and accommodations. We find, for example, this rather typical paragraph: "Dictating machines enable the dictator to record his voice, usually on a wax cylinder, from which a transcription can subsequently be made. The earlier types of machines, of which there are many in use, record acoustically, but the more up-to-date models employ electronic recording with its greater fidelity." These four sections include, perhaps, more material on accounting than do most office management texts.

The last two parts of the book deal with personnel and with the broad subject of planning and control. Highlighted in the section on personnel are such matters as: staffing the office; wages; conditions of employment; development of certain non-financial incentives; training workers, supervisors, and managers. The treatment here is somewhat unorthodox but satisfying. Especial attention is paid to office practices that differ from those in the plant. The sample organization chart is well executed; it depicts not only the functional and sub-functional divisions but also the types and grades of employees. It is a good example of the clarity that is made possible by well-developed standards.

The part of the book devoted to planning and control discusses certain techniques of a general nature, including form design and day-to-day controls. The sections on audits, reports, and committee procedure are recommended reading for the student entering business, and good reminders for the manager well ensconced in his office. The book points out, for example, that the purpose of the

record audit "is the detection of errors or fraud with a view to their subsequent prevention

"a. *Errors* include not only straightforward clerical mistakes, but also omissions and errors of principle in record keeping and,

"b. *Fraud* includes not only falsification of accounts, but fraud by outsiders made possible by loopholes in the systems."

Special note must be given the appendices. The Bibliography constitutes Appendix I. Several helpful references are made to British standards, which serve as guides for such functions as stock control, payroll methods, office mechanization, and office organization. Appendix II offers a Job Grading Schedule developed by the British Office Management Association. This could prove valuable to persons developing job classifications and titles.

This recent addition to office management literature does not, in the opinion of this reviewer, compete with Maze, Terry, or MacDonald. It is directed to a different level. While the publishers advocate its use as a handbook, it seems evident that the authors have addressed it to the senior high, business school, or junior college level. I know of no other volume written on that level which comes up to this one.

The authors characterize the entire volume aptly when they say, as an introduction to one section: "In the space available, only a bare outline can be attempted; more detail would be inappropriate at this introductory stage. For those who are to engage in office management, a much wider study is essential. Every student, however, should seek to visit offices to examine some practical applications of the principles described."

Briefer Book Notes

(Please order books directly from publishers)

OFFICE MANAGEMENT

OFFICE WORKERS' MANUAL. By Alexis R. Wiren. Bureau of Business Practice, Inc., New London, Conn., 1950. 35 pages. A helpful indoctrination manual, particularly for the office worker who has just started on his or her first job. Amusingly illustrated, it presents an informal, frank discussion of common-sense precepts for forming good work habits and getting along with one's boss, one's associates and one's self on the job.

ACCOUNTS PAYABLE PRODUCTIVITY SURVEY: *First National Survey in Department and Specialty Stores of Units of Output as a Measure of Productivity.* The Controllers' Congress Research Committee, National Retail Dry Goods Association, New York, 1950. 84 pages. \$5.00. Results of a survey of 77 retail establishments to obtain data on the productivity measurements of accounts payable operations. Enables those in charge of retail accounts payable departments to compare their operating methods and levels of output with those of comparable retail stores.

PROCEEDINGS OF THE 1949 ANNUAL AND SPECIAL CONFERENCES OF THE LIFE OFFICE MANAGEMENT ASSOCIATION. Life Office Management Association, 110 East 42 Street, New York, 1950. 490 pages. \$8.00. Contains approximately 50 papers on effective office administration applicable in all fields, and current problems, practices and procedures in life insurance office operations.

TRAINING CLERICAL EMPLOYEES. *Report No. 578,* The Dartnell Corporation, Chicago, 1950. 64 pages, plus 20 special exhibits. Loose-leaf bound. \$7.50. Based on the experiences of more than 150 companies, this manual describes current training practices and special company training programs for helping office workers and supervisors do a better job.

PRODUCTION

MAPI REPLACEMENT MANUAL: *For the Attainment of Dynamic Equipment Policy.* Machinery and Allied Products Institute, 120 South LaSalle Street, Chicago 3, 1950. 75 pages. \$3.00. Results of the Machinery Institute's study of the theory of replacement analysis presented in *Dynamic Equipment Policy* (McGraw-Hill, 1949) are summarized here and a "replacement

formula" is presented, with practical instructions for its application in an industrial company. The formula measures the imperfection of performance of the machine in use in relation to the best alternative available. A helpful guide to top management in determining sound replacement policy and to the specialist in analyzing the factors on which replacement decisions should be based.

TECHNIQUES OF PLANT MAINTENANCE: *Proceedings of the First Plant Maintenance Conference, Cleveland, Ohio, 1950.* Clapp & Poliak, Inc., 341 Madison Ave., New York, 1950. Presents case accounts of company plant maintenance programs and papers on budgeting and control of maintenance costs, upkeep of various types of equipment and facilities, sanitation and housekeeping, safety, and other related subjects.

INDUSTRIAL WASTES: *Transactions of 14th Annual Meeting of the Industrial Hygiene Foundation of America, Inc.* Industrial Hygiene Foundation, 4400 Fifth Avenue, Pittsburgh 13, Penna. 1950. 118 pages. \$2.00. This bulletin offers a handbook of helps for industry in controlling air pollution. Health aspects of the subject are covered along with the chemical, engineering, meteorological and legal.

THE LAW AND PRACTICE RELATING TO SAFETY IN FACTORIES. International Labour Office, Montreal, 1949. Available from ILO Washington Branch, 1825 Jefferson Place, N. W., Washington 6, D. C. 1699 pages. \$8.50. A general survey of the industrial safety movement and of industrial safety legislation in different parts of the world. Countries studied include seven from Europe, four from America, one from Asia, one from Africa, and one from Australia.

Quality Control

QUALITY CONTROL AND STATISTICAL METHODS. By Edward M. Schrock. Reinhold Publishing Corporation, New York, 1950. 213 pages. \$5.00. Intended for those who are new to the field of quality control (or relatively so) who want to improve their effectiveness in appraising and controlling the quality of products or the economy of methods for increasing production. This text is written in clear, straightforward language, taking the reader step-by-step through the use and application of statistical methods to the problems of modern industrial quality control. Does not presuppose a knowledge of statistics.

INDUSTRIAL INSPECTION METHODS. Revised Edition. By Leno C. Michelson. Harper & Brothers, New York, 1950. 566 pages. \$6.00. A comprehensive guide to the basic concepts of industrial inspection. Examines in detail the methods and procedures involved in dimensional control, testing for physical and mechanical properties, and surface inspection. With a section on inspection organization and personnel.

Layout and Materials Handling

LAYOUT PLANNING TECHNIQUES. By John R. Immer. McGraw-Hill Book Company, New York, 1950. 430 pages. \$5.00. This text presents the basic principles of production flow and layout, methods for solving layout problems, and a description of layout planning methods and techniques being used successfully at the present time. Examples of layout from many types of manufacturing plants, offices, stores and farms are included to illustrate the wide application of the techniques examined.

PLANT LAYOUT AND MATERIALS HANDLING. By James M. Apple. The Ronald Press Company, New York, 1950. 367 pages. \$5.00. A guide to the development of efficient layouts of equipment and of operating and service facilities for manufacturing plants, warehouses and other industrial installations.

Cost Control and Methods Improvement

HOW TO CUT PRODUCTION COSTS: A Guide to Better Methods and Techniques. Edited by H. E. Blank, Jr. A Modern Industry Book, Funk & Wagnalls Company, New York, 1949. 384 pages. \$4.50. Contains a wide variety of cost-saving ideas for quality control and inspection; better fabrication techniques; new aids in processing; packing and shipping methods; materials handling; maintenance and plant housekeeping; the control of atmospheric conditions for increased productivity; and other important areas for effective cost control.

SHORT CUTS AND KINKS. Edited by Edward J. Clement. Conover-Mast Publications, Inc., New York, 1949. 295 pages. \$3.50. Brings together many of the cost-and effort-saving ideas which originally appeared in the "Practical Short Cuts and Kinks" section of *Mill &*

Factory—many of which were award-winning ideas submitted by workers to their companies' suggestion committees. Covers the following categories: small tools and devices; materials handling; welding, brazing, soldering; power and machine tools; building and service; and electrical, testing, and transmission operations.

MANUAL OF "WORK SIMPLIFICATION." *Factory Management and Maintenance*, 330 West 42 Street, New York 18, N. Y., 1947. 127 pages. 50 cents. A collection of articles which originally appeared in *Factory*, presenting the experiences of representative industrial plants in increasing productivity and cutting costs through common-sense application of work simplification methods.

MARKETING

Sales Management

SALES MANAGERS HANDBOOK. Sixth Edition. Edited by John Cameron Aspley. The Dartnell Corporation, Chicago, 1950. 1149 pages. \$10.00. This comprehensive manual gives basic reference information on every major aspect of sales management—from broad questions of distribution policy to the average cost of breakfast in a hotel or the fare by railroad from Elmira to Milwaukee. A collection of highly useful data.

SALES MANAGEMENT. By Harold H. Maynard and Herman C. Nolen. Revised Edition. The Ronald Press Company, New York, 1950. 667 pages. \$5.00. In recognition of the increasingly professional approach of the sales manager to his job and growing emphasis on the use of psychology, accounting, statistics, and other disciplines in the field of sales management, the authors of this basic, comprehensive text have made some important revisions in the present edition. Less emphasis has been placed on such matters as equipment, routing, conventions and contests, whereas greatly increased emphasis has been given to the application of the newer techniques which have proved useful in such areas as selecting, training, compensating and supervising salesmen. The policy section has been greatly expanded in accordance with the new emphasis on this part of the work of the sales executive. Certain new chapters give consideration to some of the factors which must be observed in the determination of product policies and to the choice of channels of distribution. Other new material relates to the use of marketing research information and to the contributions of sales cost accounting data to policy determination. Much attention has been given to the use of statistical information in the measurement of potentials and the determination of market opportunities.

Selling

HOW I RAISED MYSELF FROM FAILURE TO SUCCESS IN SELLING. By Frank Bettger. Prentice-Hall, Inc., New York, 1949. 276 pages. \$3.95. Mr. Bettger discusses his personal experiences and the principles of selling that made him one of the country's top salesmen. His ideas are stimulating and highly practical.

SILENT SELLING. By Robert Rawls. The Updegraff Press, Ltd., Scarsdale, New York, 1949. 16 pages. 30 cents. If the advice in this very sensible little pamphlet were followed, most salesmen would talk a little less and sell a lot more. Excellent pointers on when and how to use silence for effective salesmanship.

SELLING TO THE FEDERAL GOVERNMENT. The Bureau of National Affairs, Inc., Washington, D. C., 1949. 348 pages. \$5.00. A comprehensive guidebook explaining the methods and procedures followed by the Federal Government in satisfying the procurement requirements of its civilian and military establishments. Includes text and section-by-section analyses of standard government contracts, statistics and regulations. A recommended reference.

SALESMANSHIP PRACTICES AND PROBLEMS. Second edition. By Bertrand R. Canfield, McGraw-Hill Book Company, Inc., New York, 1950. 563 pages. \$4.25. An extensive revision and modernization of a text which illustrates principles throughout with case problems. Provides a full treatment of the fundamentals of the subject, supplemented by realistic cases illustrating successful salesmen's solutions to each of the 20 fundamental problems commonly encountered in selling goods and services.

EFFECTIVE SELLING. By George Edward Breen, Ralph Burnham Thompson and Harry West. Harper & Brothers, New York, 1950. 278 pages. A concise, practical and interestingly written text on the basic principles and methods of salesmanship, designed specifically for use by college students.

Advertising

ADVERTISING PROCEDURE. Fourth Edition. By Otto Kleppner. Prentice-Hall, Inc., New York, 1950. 775 pages. \$6.65. The latest edition of this standard authority is a detailed and fully up-to-date guide to the purposes, techniques, and effects of modern advertising. The main emphasis, as before, is on procedure. Ten whole chapters, for example, are devoted to the process of preparing the advertisement. Taking the reader behind the scenes, Mr. Kleppner describes how the advertisement literally grows from a creative idea. He shows how that idea is expressed visually in the layout, verbally in the copy and mechanically in production. Discusses the special problems involved in media selection, scheduling, space and time buying, and the over-all coordination of these activities. Separate chapters deal with particular types of advertising—newspaper, magazine, radio, outdoor and transportation advertising. Special features of this edition include a new chapter on television advertising and an expanded section on market-research.

ADVERTISING HANDBOOK. Edited by Roger Barton. Prentice-Hall, Inc., New York, 1950. 1015 pages. \$10.00. A close-up view of every phase of modern advertising as seen by 33 specialists who are key executives in all the major fields of advertising and who draw generously upon their own experience and skill in their contributions here. A helpful feature of this noteworthy volume is its topical sequence, which conforms exactly to the manner in which a product or service is presented to the public. Opening with a study of the product and its market, these 25 chapters carry through on such matters as budgeting, choosing a theme, copy, layout and illustration, printing processes, copy testing, various visual media and their uses, and radio and television. Further chapters deal with direct-mail and mail-order advertising, outdoor and transportation advertising, motion-picture, point-of-sale and premium advertising, and industrial and export advertising. Closing chapters discuss advertising research, organization of the company advertising department and the agency, the tie-in between advertising and selling, and finally how advertising affects our society and economy.

HOW TO USE PSYCHOLOGY FOR BETTER ADVERTISING. By Melvin S. Hattwick. Prentice-Hall, Inc., New York, 1950. 376 pages. \$7.65. An analysis of modern advertising appeals based on an understanding of the consumer—his wants, his mental, educational and emotional makeup. Mr. Hattwick sets forth the results of much original research, combined with published psychological data, to place the creation of advertising on a more scientific basis. Recommended reading for every advertising and sales marketing executive.

SO YOU'RE GOING TO CHOOSE AN ADVERTISING AGENCY. By James Thomas Chirug. Funk & Wagnalls Company, in association with Printers' Ink Publishing Company, Inc., New York, 1950. 107 pages. \$3.00. Presents yardsticks not only for judging agency operation in general, but also for determining different types of agencies (small, large, general, specialized, etc.), and for evaluating work within specific departments—such as research, media, art, copy, and production.

HOW ADVERTISING IS USED TO RAISE EQUITY CAPITAL AND TO INCREASE SECURITIES VALUES. By Stanley Harold Morgan. Available from the author at 208 So. La Salle St., Chicago, Ill. 1949. 53 pages. \$10.00. After a well-documented discussion of the favorable response of the investment community to advertising, the author presents a series of case examples to show how a well-advertised enterprise frequently secures a higher valuation for its equities than a generally comparable lesser-advertised company; how well-advertised enterprises have shown marked capacity to acquire lesser-advertised companies through issue of their own stock, without use of money; how well-advertised companies continue to advertise to protect their advertising investment; how financial advertising is used to raise new capital; how a publicly financed company may enjoy marked corporate benefits denied to a closed enterprise—and the role of advertising in preparing a corporation for public financing.

Marketing Research

MARKETING RESEARCH PRACTICE. By Donald M. Hobart. The Ronald Press Company, New York, 1950. 471 pages. \$5.00. Addressed to present practitioners of marketing research throughout industry and to those students of the subject who will soon be its practitioners, this book is concerned primarily with the actual practice rather than the theory of market research. The author and the contributors to this volume draw heavily upon the experience of

The Curtis Publishing Company (where Mr. Hobart is Director of Research) in solving its own market research problems and those which it has undertaken for manufacturers and merchandisers throughout the United States. Details many workable solutions to sales, distribution, marketing and advertising problems.

STATISTICAL TECHNIQUES IN MARKET RESEARCH. By Robert Ferber. McGraw-Hill Book Company, Inc., New York, 1949. 542 pages. \$6.00. Presents modern statistical techniques in simple, non-technical language, with illustrations of their practical applications to market research. The book is divided into four major parts—introductory concepts, sampling theory, sampling applications, and multivariate and correlation methods. The author has attempted to translate the mathematics into words in order to make the material understandable to a person who has not gone beyond college algebra.

International Trade

TECHNIQUES OF INTERNATIONAL TRADE. A revision of: *Technical Procedure in Exporting and Importing*. By Morris S. Rosenthal. McGraw-Hill Book Company, New York, 1950. 554 pages. \$6.00. A thorough revision and expansion of the author's earlier work, this book contains detailed information on all phases of international trade techniques and covers the field of foreign trade practice from the time a transaction is initiated until the shipment is made and all details are completed. Actual examples are presented, and the author discusses fully the reciprocal obligations which are assumed by buyers and sellers in different markets.

HANDBOOK OF EXPORT TRAFFIC. By Charles J. Moran. Duell, Sloan & Pearce, Inc., New York, 1949. 191 pages. \$3.00. In this guide to export traffic the author covers all the major aspects of the subject, from the preparation of a packing list to discussions of marine insurance, consular documents and foreign mails. Contains such reference materials as the complete text of "American foreign trade definitions"; the complete text of the standard commercial credit customs and practices as furnished by the International Chamber of Commerce; a glossary of export terms and abbreviations; reproductions of the basic forms used in export traffic; tables for converting sterling into dollars and dollars into sterling at any rate of exchange; tables of converting pounds into kilos and into long tons; and other useful reference material.

Retailing

RETAILERS MANUAL OF TAXES AND REGULATIONS: A Compendium of Federal and State Laws Affecting Retailers. 10th Edition. Edited by Paul C. Olsen, Gladys M. Kiernan and Arthur Pite. Institute of Distribution, Inc., 25 West 43rd Street, New York, N. Y., 1949. 203 pages. Loose-leaf bound. \$7.50. This compilation provides a tabular digest of the pertinent provisions of the federal and state laws of most concern to general merchants. Revised to include new laws and changes in existing laws made at the 1948 and 1949 sessions of the state legislatures and the U. S. Congress. Changes in that time in state and federal rulings and regulations on subjects contained in this manual have also been included. There is, in addition, an up-to-date summary of city, county and other local sales tax and chain store tax ordinances, and local ordinances forbidding employment discrimination.

MANAGEMENT RESEARCH IN RETAILING. By H. Pasdermajian. International Association of Department Stores. Newman Books Ltd., 356-366 Oxford Street, London, W.1., England. 177 pages. 16s. Discusses the application of the principles of scientific management to the problems of modern distribution, as illustrated by the activities of the International Association of Department Stores, a society for management research comprised of a number of department stores located in Western and Northern Europe.

Miscellaneous

A REPORT ABOUT BUSINESS-SPONSORED TEACHING AIDS. By Thomas J. Sinclair. F. A. Owen Publishing Company, Dansville, New York, 1949. 113 pages. Single copies gratis to business organizations and advertising agencies. The purpose of this study is to report the characteristic viewpoints of business representatives, classroom teachers, and school administrators on current practices in the production, distribution, utilization and evaluation of business-sponsored teaching aids. Will help companies which make it a practice to furnish teaching

materials (free or at nominal cost) as a public-relations service to prepare more effective materials for classroom use.

SALES AND ADVERTISING OPPORTUNITIES FOR THE SMALL MANUFACTURER. By Norman Clyde Tompkins. A Printers' Ink Business Bookshelf Book. Funk & Wagnalls Company, New York, 1950. 346 pages. \$4.50. Packed with hundreds of simple, tested ideas that can be used by the small manufacturer to obtain marketing data, train salesmen, analyze and organize sales departments, secure jobbers' cooperation, improve salesmen's morale, and do a better over-all job of planning and promoting successful sales activities.

1949 DEPARTMENTAL MERCHANDISING AND OPERATING RESULTS OF DEPARTMENT STORES AND SPECIALTY STORES (1950 Edition). By Raymond F. Copes. Controllers' Congress, National Retail Dry Goods Association, 100 West 31st Street, New York, 1950. 122 pages. \$10.00. A comprehensive fact book of merchandising results for 1949 with a summary of trends in retail business for the past 25 years.

SALES ENGINEERING. Second Edition. By Bernard Lester. John Wiley & Sons, Inc., New York, 1950. 226 pages. \$3.00. Devoted to the art of selling equipment and services that require engineering skill in their selection, application and use. Describes the type of work this involves, the opportunities it offers for a career, and the methods, skills and techniques which the author has found successful in over 35 years of selling machinery, equipment and technical products to industry. This second edition has been rearranged and enlarged by about 10 per cent, and several practical examples dealing with improved techniques have been added.

EYES OFF THE CEILING! Grey Advertising Agency, Inc., New York, 1950. 37 pages. Spiral bound. \$5.00. (Free to national advertisers). Thumb-nail descriptions of 326 ideas, each of which has been used successfully by a manufacturer, for advertising, selling, merchandising or promotion.

THE ROBERT COLLIER LETTER BOOK. Sixth Edition. By Robert Collier. Prentice-Hall, Inc., New York, 1950. 463 pages. \$3.65. A guide to high-powered direct-mail promotion techniques, profusely illustrated with sample letters that have proved successful. Revised and enlarged edition.

MODERN PACKAGING ENCYCLOPEDIA—1950. Packaging Catalog Corp., 122 East 42nd Street, New York City, 1949. 931 pages. \$5.00. Prepared and published by the editors and publishers of *Modern Packaging* magazine, the 1950 edition of this basic reference work contains a wealth of material on new packaging materials, processing techniques and applications, and significant cost data reflecting lower production costs within the industry. (More than 60 per cent of the material in this completely revised edition is entirely new.) A valuable working guide to scientific packaging planning and production, based on up-to-the-minute data on every significant phase of the packaging field. Profusely illustrated.

FINANCE

Pension and Other Benefits

HANDBOOK FOR PENSION PLANNING. Bureau of National Affairs, Washington, D. C., 1949. 363 pages. \$5.00. Prepared and organized by a group of recognized experts in conjunction with the BNA staff, this practical and comprehensive guide to pension planning offers detailed information on the following: important background facts; bargaining on pensions; qualifying the plan; designing and financing the pension plan; cost and tax considerations; selling the plan to employees. Also contains a helpful glossary of terms and supporting material in the form of checklists, case examples, tables, etc.

BLUEPRINTING THE PENSION PLAN. Commerce Clearing House, Inc., Chicago, 1950. 127 pages. \$1.00. A clear-cut explanation of the factors which must be considered before a pension plan is established. Tax and legal aspects of pension planning are given special consideration.

SUCCESSFUL PENSION PLANNING. By Arthur J. Meuche, for the Central Hanover Bank and Trust Company. Prentice-Hall, Inc., New York, 1949. 77 pages. Gratis. Offering

guidance on the preliminaries of pension planning, this booklet answers such questions as: When should people retire? What is an adequate pension? Is a financial commitment necessary? Should a retirement plan provide other employee benefits? Why fund a plan? What will the plan cost? What makes plan fail?

SOCIAL INSURANCE, PENSIONS AND OTHER "FRINGE" BENEFITS. *Business Information Sources*. November, 1949. 4 pages. Available from the Business Information Bureau, Cleveland Public Library, 325 Superior Avenue, Cleveland 14, Ohio, at 10 cents per copy. An excellent annotated bibliography of recent references on how to set up a pension plan, the cost of a pension plan, collective bargaining procedures in pension planning, and other phases of the subject.

THE COST AND FINANCING OF SOCIAL SECURITY. By Lewis Meriam and Karl T. Schlotterbeck. With a chapter on veterans' benefits by Mildred Maroney. The Brookings Institution, Washington, D. C., 1950. 193 pages. \$3.00. An examination of the proposals advanced by the National Administration, and now under consideration by Congress, for the extension of the Social Security System—particularly the recommendations for compulsory health insurance and for broad-scale liberalization of the old-age and survivors insurance system. The authors focus attention on the magnitude of the expanding costs, the problems involved in financing them, and raise the question as to whether a safer and better system could readily be devised.

PROCEEDINGS OF THE SECOND ANNUAL CONFERENCE, 1949, OF THE COUNCIL OF PROFIT SHARING INDUSTRIES. 155 pages. Available from Joseph B. Meier, Council of Profit Sharing Industries, First National Tower, Akron 8, Ohio. Addresses on various aspects of profit sharing. Authors include James F. Lincoln, Styles Bridges, Cyrus Ching, W. Stuart Symington, and George Baldanzi.

Annual Reports

ACCOUNTING TECHNIQUES USED IN PUBLISHED CORPORATE ANNUAL REPORTS. American Institute of Accountants, 270 Madison Avenue, New York 16, N. Y. 1950. 112 pages. \$10.00. Third annual survey by the research department, American Institute of Accountants, of current practice of more than 525 large American corporations covering fiscal years ending July 1, 1948 to June 30, 1949.

WHAT'S BEHIND A FINANCIAL STATEMENT. By R. G. Rankin. Doubleday & Company, Inc., Garden City, New York, 1949. 160 pages. \$2.00. Written for both the layman and the professional, this broad outline of the fundamentals of accounting explains in simple language how financial transactions are recorded, how the figures are assembled and what the figures reported in financial statements really mean. Also discussed are the theory of debits and credits; records and procedures for accounting for cash, income and expense; the meaning of inventory, fixed assets and depreciation and reserves; the financial statements themselves—the statement of income, the balance sheet, and the significance of the accountant's certificate.

Taxation

LASSER'S BUSINESS TAX HANDBOOK. Third Edition. By J. K. Lasser. Simon and Schuster, New York, 1949. 792 pages. \$5.00. The first revision since 1947 of Mr. Lasser's "bible" for business men and business counselors seeking guidance on how to save tax money and improve earnings after taxes. Equally adaptable to the small or large business and to every type of business—proprietorship, partnership or corporation.

TAXABLE AND BUSINESS INCOME. By Dan Throop Smith and J. Keith Butters. National Bureau of Economic Research, Inc., New York, 1949. 368 pages. \$4.00. Compares the concepts and statistics of taxable and business income as commonly used by management and reported to stockholders and measures the differences between them. Part One of this scholarly work describes the differences underlying the concepts of book profit and taxable income and presents the chief reasons for divergencies between the two concepts. Part Two examines the

quantitative significance of the divergences between book profit as shown in publicly available business reports and statutory net income as computed for tax purposes.

EFFECTS OF TAXATION: *Inventory Accounting and Policies*. By J. Keith Butters, assisted by Powell Niland. Division of Research, Graduate School of Business Administration, Harvard University, Boston, 1949. 330 pages. \$3.75. The first half of the book analyzes the following questions: How large are inventory profits and losses? What is business doing about them? What is the general economic significance of different inventory methods? How are commonly used inventory valuation procedures related to different concepts of profits? The author then examines in detail the various inventory procedures commonly used for business, tax, and national income purposes. Among the methods discussed are the traditional lower-of-cost-or-market procedures used by most companies, Lifo and methods related to Lifo, such as the base-stock and inventory-reserve methods. Since tax requirements have influenced inventory methods mainly through their effect on Lifo procedures, Lifo is examined in more detail than the other methods.

Government Policy

MONETARY MANAGEMENT. By E. A. Goldenweiser. A research study of the Committee for Economic Development. McGraw-Hill Book Company, New York, 1949. 175 pages. \$2.75. This book presents in brief form the essential elements of monetary management in the United States from 1914 to 1948. It indicates the role played by money in the economy and the powers of monetary authorities in regulating the volume, availability and cost of money. The author reviews the experience of American monetary management since the establishment of the Federal Reserve System in 1913 and outlines the problems confronting it at the present time. Special attention is given to the immediate requirements of monetary policy in relation to the maintenance of high, stable production and employment.

INSURANCE

INLAND MARINE AND TRANSPORTATION INSURANCE. By William H. Rodda. Prentice-Hall, Inc., New York, 1949. 539 pages. \$6.65. A most comprehensive and clearly written text. Recommended as basic reference for insurance buyers.

AN INTRODUCTION TO ACCIDENT AND HEALTH INSURANCE. Taylor Publishing Company, Indianapolis 5, Indiana, 1949. 127 pages. \$5.00. Designed to give the salesman a complete understanding of accident and health insurance and of the techniques for doing a creative selling job in this field.

AN ANALYSIS OF GOVERNMENT LIFE INSURANCE. By Dan Mays McGill. University of Pennsylvania Press, Philadelphia, Pa., 1949. 290 pages. \$3.75. A history of the program under which the Federal Government, from World War I to the present, has made life insurance available to members of the military and naval services. Motivating factors are outlined, also the forces that have influenced the program's subsequent development. Traces recent trends and indicates the patterns which National Service Life Insurance may be expected to follow in the future.

FUNDAMENTALS OF FIRE AND CASUALTY INSURANCE STRENGTH. By Roger Kenney. Published by The Kenney Insurance Studies, Dedham, Mass., 1949. 246 pages. \$3.75. Written in the layman's language, this book is designed primarily to help insurance buyers in the selection of financially strong carriers. Covers the entire field of fire and casualty insurance—stock companies, mutual companies, the Factory Mutual Group, reciprocals, and multiple-line companies. Special attention is given to the subject of reinsurance and its bearing upon the financial strength of the primary or reinsured companies.

EDITOR'S NOTE: *An extensive annotated listing of books in the fields of Personnel Administration, Industrial Relations, and General Management was published in the August issue of THE MANAGEMENT REVIEW.*

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